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Mad dash to the Emu finish line
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Page 22 and separate section

Weekend FT

World Business Newspaper http://www.FT.com FRIDAY SEPTEMBER 20 1996

Britain and China strike deal over Hong Kong port

Britain and China resolved a four-year dispute by agreeing a long-delayed deal to build a new container terminal for Hong Kong. The agreement in Beijing marks a new step in the improvement of Sino-British ties, and resolves one of the most intractable disputes before the transfer of sovereignty next July. Stephen Ip, secretary for economic services, said: "It will increase the capacity of the port and introduces a major operator in the interests of competition." Page 14

BIS to lift veil over Nazi gold: The Swiss-based Bank for International Settlements is to open its archives to investigators searching for looted Nazi gold after a request from US Senate banking committee chairman Alfonse d'Amato. Page 2

Nato may stay in Bosnia: Nato troops should stay in Bosnia after their mandate ends, Nato secretary-general Javier Solana said, in a clear signal that their forces should continue to help secure Bosnia's fragile peace. Page 3

Gucci reports 'excellent' results: Italian fashion house Gucci, one of the hottest fashion labels of the 1990s, said first-half sales and profits were "excellent". Net income for the period almost trebled, from $26.4m to $69.9m. Page 16

Airlines chief in talks plea: The European Commission, not the UK government, should negotiate over the right of foreign airlines to compete in the US domestic market, United Airlines chairman Gerald Greenwald said. Page 6

Judge calls off trial of Maxwell's son

A judge in London called off the second trial of Kevin Maxwell (left), son of disgraced media magnate Robert Maxwell who drowned almost five years ago. The ruling ends all criminal charges confronting Mr Maxwell in the $6bn scandal, in which thousands of pensioners faced possible hardship after their savings were used to shore up the Maxwell empire. Page 14; 'Accomplished liar', Page 8; Editorial Comment, Page 13

Japan to hold election: Japan's coalition government opened the way for a snap general election, the first under a new voting system to encourage more debate on policy. Page 14

Sharp TV move: Consumer electronics companies Sharp and Sony are developing a flat screen they believe will cut the cost of making some types of television. Page 18

Albright & Wilson profits up: Albright & Wilson, the chemicals company spun off last year by Tenneco of the US, reported a small increase in first-half profits despite flat demand in competitive US markets. Page 19

Chernomyrdin to take control: Russian prime minister Viktor Chernomyrdin will be named acting head of state with full presidential powers while president Boris Yeltsin undergoes heart surgery, a presidential decree said.

More North Koreans shot dead: Relations between South and North Korea threatened to deteriorate as South Korean troops killed seven Northern infiltrators landed from a submarine near the coastal city of Kangnung, bringing the total dead to 18. Page 4

Pan Am takes off again: Pan American Airways is set to fly again, with permission to provide interstate air services in the US. The new airline bought the Pan Am trademarks from the company that folded five years ago.

Israeli soldiers killed: Two Israeli soldiers were killed and two wounded in an ambush by Hizbollah guerrillas in south Lebanon. Israeli jets and artillery bombarded Hizbollah targets and villages in retaliation.

China on verge of boom, says premier: China is set for a 15-year boom, with annual gross national product growth to average 8 per cent until 2000, premier Li Peng said.

Bear necessity: Officials in Victoria, Australia, plan to give koala bears a version of "the pill" to curb runaway population growth.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	5,865.89	(-11.47)
NASDAQ Composite	1,216.16	(+4.45)
Europe and Far East		
CAC40	2,082.33	(+9.60)
DAX	2,624.44	(-1.26)
FT-SE 100	3,974.3	(+9.6)
Nikkei	21,322.85	(+166.10)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.238%
Long Bond	96⅛
Yield	7.057%

■ OTHER RATES		
UK: 3-mo Interbank	5 13/16%	(same)
UK: 10 yr Gilt	97 11/32	(97 11/32)
France: 10 yr OAT	102.04	(102.00)
Germany: 10 yr Bund	100.47	(100.54)
Japan: 10 yr JGB	101.2176	(101.218)

■ NORTH SEA OIL (Argus)		
Brent Dated	$22.035	(22.45)

■ GOLD		
New York: Comex		
Dec	$385.6	(386.3)
London:		
close	$383.3	(same)

■ DOLLAR		
New York: lunchtime		
£	1.55265	
DM	1.51325	
FFr	5.1515	
SFr	1.24275	
Y	109.325	
London:		
£	1.5509	(1.5605)
DM	1.514	(1.5084)
FFr	5.1532	(5.1389)
SFr	1.2436	(1.2407)
Y	109.275	(109.07)
Tokyo close	Y 109.35	

■ STERLING		
DM	2.348	(2.3537)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr280	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Z16.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500		Es325	UAE	Dh13.00

Pressure mounts for US rate rise

Jump in housing starts adds to speculation as bond and share prices fall

By Michael Prowse in Washington

An unexpectedly strong increase in US housing starts in August has added to pressure on the Federal Reserve to raise interest rates at its policy meeting next week.

The figures, released yesterday, showed a rise of 4.5 per cent over July to the highest level for more than two years. The strength of the rise surprised Wall Street analysts who had projected a decline of about 1 per cent.

The data came as the Federal Reserve Bank of Philadelphia said an index measuring inflationary pressures in manufacturing industry had risen sharply last month.

The figures prompted sharp declines in bond prices. By early afternoon the benchmark 30-year Treasury bond was down ⅜ to yield 7.060. The Dow Jones Industrial Average was down 23.67 at 5,854.05.

The Commerce Department said housing starts – which are highly sensitive to interest rates – rose to a seasonally adjusted annual rate of 1.53m.

The biggest gains were for single-family home starts, up 8.3 per cent last month.

Economists are divided on whether the Fed, the central bank, will signal an increase in short-term rates at its meeting next Tuesday. Subdued inflation figures and sluggish retail sales last week prompted speculation it would take no action.

But a report this week of a strong gain in industrial production last month, followed by the buoyant housing data, has prompted a change of market sentiment. Many analysts worry the economy may have entered the third quarter with more momentum than the Fed desired.

If the Fed were to tighten policy, the likeliest move would be a quarter-point increase in short-term rates to 5.5 per cent. But some presidents of the Fed's regional banks have requested a half-point increase.

Economists at Merrill Lynch, the New York financial services group, said the Fed's decision on rates was finely balanced. But in view of the strong housing data the best bet was a quarter-point rise.

The Fed is under pressure to tighten policy, in spite of encouraging figures on inflation, because the economy has recently grown at an unsustainable pace.

Real output grew at an annual rate of 4.8 per cent in real terms in the second quarter, about twice as fast as the economy's long-run potential. The jobless rate fell to 5.1 per cent last month, below the level widely regarded as consistent with stable inflation.

Private housing starts

International bonds, Page 24
Wall Street, Page 36

Euro-MPs vote to freeze cash aid for Turkey

By Neil Buckley in Strasbourg

The European parliament yesterday voted overwhelmingly to block millions of Ecus of aid to Turkey in protest over its human rights record in a setback to Ankara's hopes for a closer relationship with the European Union.

In December the parliament approved a customs union between the EU and Turkey on the basis of Turkish assurances that progress would be made on improving democracy and human rights. Member states and the US lobbied intensively to overcome MEPs' reservations over Turkey's human rights record.

Yesterday's vote could lead to a dispute with the European Commission and Council of Ministers, which believe the aid should be paid.

A resolution carried by 319 votes to 23 demanded a freeze on next year's instalment of a five-year Ecu375m ($475m) financial assistance plan linked to the customs union. It also called for a freeze on Turkey's share of an aid package to southern Mediterranean countries – except payments designed to promote democracy – until parliament received evidence of "progress towards democratisation".

Yesterday, MEPs said commitments on democracy and human rights had not been honoured. The vote was prompted by increasing tensions between Turkey and Greece over Cyprus – two Greek Cypriots died in violent clashes last month – and Turkey's plan to set up a "security zone" in northern Iraq.

Mrs Tansu Çiller, the Turkish foreign minister, who was prime minister when the customs union was approved, condemned the vote. "Turkey has made serious progress in human rights in the past two years of its own free will."

The Ecu375m aid plan has, in effect, been frozen since February by a Greek veto in the EU Council of Ministers. But parliament will call for half of next year's planned Ecu53m instalment to be withheld. The Mediterranean aid, or Meda, programme, involving Ecu4.7bn payments to 12 countries up to 1999, with the long-term aim of creating a free trade area in north Africa and the southern Mediterranean, was also blocked by Greece until July.

Greece lifted its veto in return for a declaration from EU foreign ministers that Greek-Turkish territorial disputes should be settled according to international law. Parliament can only demand that the commission withholds Turkey's share of Ecu410m Meda aid to be paid before the year-end – a demand the Commission is likely to ignore.

But the parliament has powers to veto non-compulsory

Continued on Page 14
Tensions raised, Page 2

Japanese foreign minister Yukihiko Ikeda (right) shakes hands with US secretary of state Warren Christopher at the State Department in Washington after they had talks yesterday involving their defence secretaries on US bases in Japan Picture: Reuter

Sumitomo copper losses hit $2.6bn

By Emiko Terazono in Tokyo and Clay Harris in London

Sumitomo Corporation admitted yesterday that its losses on copper trades by Mr Yasuo Hamanaka, its former chief dealer, had grown to $2.6bn, from its first estimate of $1.8bn.

Mr Kenji Miyahara, president of the Japanese trading company, said the larger figure reflected the sharp decline in copper prices in June after Mr Hamanaka was dismissed. It had also been difficult immediately to assess losses on complex derivative trades.

Sumitomo does not expect the figure to rise. It confirmed it would take legal action against Mr Hamanaka, known as "Mr Copper" by fellow traders, on charges of breach of trust and forging documents.

Sumitomo officials said Mr Hamanaka had accumulated losses since 1985, when he lost Y6.5bn ($60m) through unauthorised trades. The bulk of his losses stemmed from large transactions in the 1990s.

Mr Hamanaka was able to avoid detection by "falsifying documents, forging signatures and destroying business records". Using "extremely complex, multi-stepped trans- [illegible] he [illegible] internal [illegible] ements by not [illegible] aking steps. [illegible] so claimed Mr [illegible] had "abused his po[illegible] the borrow funds and fina[illegible] by "unorthodox finan[illegible] transactions outside the co[illegible] y's normal banking channels".

Sumitomo's accusations against Mr Hamanaka were based on an investigation involving accountants Coopers & Lybrand and the New York law firm Paul, Weiss, Rifkind, Wharton and Garrison.

Sumitomo said the company's positions in physical copper totalled 120,000 tonnes which were fully hedged.

It refused to comment on whether he was manipulating prices. "We cannot reveal anything until we know the full details," Mr Miyahara said. He said all Mr Hamanaka's 2,000 to 3,000 annual trades were being reconstructed. A full report was not expected before January. Mr Takehiko

Continued on Page 14
Bruises still show, Page 18

Barings tapes reveal lack of control over Leeson

By John Gapper and Nicholas Denton in London

Confidential transcripts of telephone calls among managers of Barings, the merchant banking group, tell of the internal strife and lack of control that allowed Mr Nick Leeson, Barings' rogue trader, to bring down the bank.

The transcripts, obtained by the Financial Times, disclose how managers revelled in the profits made by Mr Leeson and how he defied efforts to make him reduce derivatives holdings three weeks before Barings' collapse.

The tapes appear to confirm that no senior Barings managers understood exactly what Mr Leeson was doing. They also show that managers were squabbling among themselves and had little grasp of the operation of which they were in charge.

The conversations were recorded at the end of January 1995 as Mr Leeson escalated his trading after the Kobe earthquake of January 17. Mr Leeson was gambling away hundreds of millions of pounds of Barings' money. In one conversation, Ms Mary Walz, head of equity derivatives trading, admitted to Mr Ron Baker, the bank's head of derivatives trading, that she did not fully understand the reasons Mr Leeson was giving for not cutting his trading on Simex, the Singapore futures exchange. "I think we kind of go along a stumbling path, where we look at one thing at a time, and I think the dynamics are more complicated than that," Ms Walz told Mr Baker on January 28.

ALL THAT GLITTERS

The Fall of Barings
Danger signals were ignored
Page 10

The transcripts, which are to be published in a book next week, are of conversations involving senior managers of Barings, including Mr Peter Norris, chief executive of investment banking.

In one conversation, Mr Sajeed Sacranie, an assistant to Mr Norris, asked Mr Baker if Mr Leeson had not been taking any risks to produce his enormous profits. In fact, the "profits" came from a hidden account set up by Mr Leeson.

"I trust the guy [Mr Leeson] a fair bit," Mr Baker replied. "It's really hard for me to say. I think he just sees certain opportunities that are phenomenal, and he just takes them."

The conversations were routinely recorded, because Barings taped traders' telephone calls to sort out disagreements. Transcriptions were made after Barings' collapse in February 1995, and viewed by Bank of England investigators.

This is the first time the conversations have been made public. The disclosure may increase controversy over the failure of Barings' senior managers to stop Mr Leeson from bringing down the bank with £830m ($1.2bn) of losses.

Mr Norris, and four other former Barings managers, have been banned from working in London's business district for up to three years by the Securities and Futures Authority. Mr Baker, facing a three-year ban, is taking his case to an SFA tribunal.

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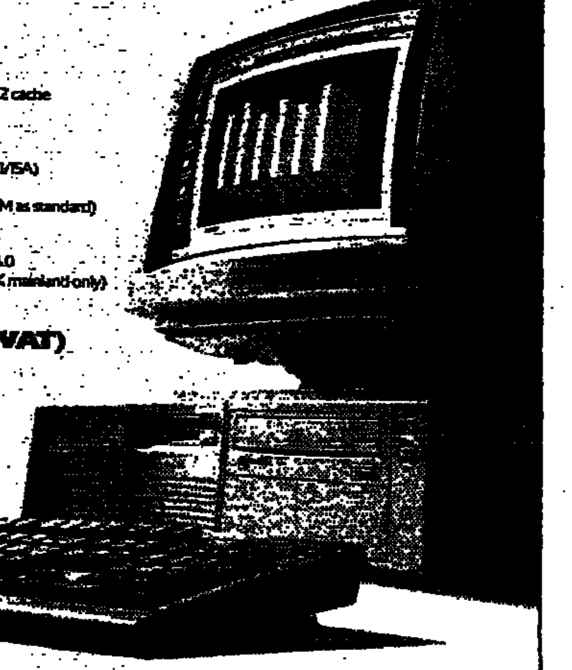

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BIS to lift veil over looted Nazi gold

By William Hall in Zurich

The Bank for International Settlements, owned by the world's top central banks, has agreed to lift the veil of secrecy surrounding its affairs and open its archives to official investigators searching for looted Nazi gold.

This follows a request from Mr Alfonse d'Amato, chairman of the US Senate banking committee, who says he has discovered declassified US documents showing the BIS accepted "vast amounts" of gold from Germany's Reichsbank and the possibility that some might not have been repatriated.

Only the BIS and the Swiss National Bank, were permitted to trade in gold with Germany during hostilities. Germany was a shareholder in the BIS throughout the war and Mr Paul Hechler, head of the BIS's banking department, was a German, leading to speculation that the BIS played a key role in providing Berlin with hard currencies in return for gold.

The British, US and French governments, also BIS shareholders, investigated the BIS's wartime role and the bank returned 3.7m tonnes of looted gold.

Fresh evidence emerged yesterday that officials of the Swiss National Bank knew they were buying gold from the German Reichsbank which had been looted from other central banks. Cash, a weekly Swiss business magazine, has disclosed details of a letter from Mr Paul Rossy, one of the bank's three top officials during the war, threatening to resign because Mr Alfred Hirs, another senior official, knew the SNB was buying looted gold from the Germans.

According to an article appearing in today's Jewish Chronicle, Germans may also have deposited billions of dollars of non-gold assets in Switzerland during the second world war which belonged to Jews and other victims of Nazism.

Recently declassified US intelligence documents obtained in Washington detail between SFr1.77bn ($1.47bn) and SFr3bn in holdings by Germans in property, currency, stocks, bonds, jewellery and private bank accounts.

At current market values, the assets could be worth between £15.5bn and £65.3bn, thus dwarfing the estimated $500m in gold deposits recently acknowledged.

The data are taken from a top secret cable sent by a Bern-based US diplomat asked to give estimates of the non-gold holdings in advance of Allied talks with Switzerland on the disposition of Nazi assets.

Cyprus military build-up raises tensions

By Andreas Hadjipapas in Nicosia and Bruce Clark in London

President Glafcos Clerides of Cyprus moved this week to quash a wave of apprehension among Greek-Cypriots about the imminent outbreak of violence on the divided island.

"Certain dangers that appeared on the horizon recently have gone," he said in a formal statement.

In recent days, rumours have swept the island about the possibility of a pre-emptive strike by Ankara to prevent the delivery to Greek-Cypriot forces of T-80 tanks from Russia, a sale which has prompted strong Turkish protests.

President Clerides' government has ordered at least 40 tanks from Moscow as part of a rearmament programme which it says is necessary because of a build-up of weaponry in the Turkish-controlled north of the island.

Both the US administration and Mr Boutros Boutros Ghali, the UN secretary general, have expressed grave alarm at the build-up of military forces on the island. Mr William Perry, the US defence secretary, is reported to have told Turkish military chiefs during his visit to Ankara this week that he was counting on them to exercise restraint in Turkish-Greek relations.

A UN report has described northern Cyprus as "one of the most densely militarised areas in the world" and deplored the fact that both sides were upgrading their tanks and artillery systems.

Military observers will be watching the independence day parade by Greek-Cypriot forces on October 1 to see whether the first consignment of Russian tanks is put on display. Another tense period is expected early next month when the Greek-Cypriot National Guard holds its annual exercise, with Greek airborne and naval units taking part.

Fears of an armed clash in Cyprus have arisen against a background of manoeuvring by the leaders of both communities over the terms on which they might meet.

Mr Clerides last week modified his earlier refusal to meet Mr Rauf Denktas, the Turkish-Cypriot leader, by saying he did favour direct negotiations, but with a Greek-Cypriot proposal for demilitarising the island at the top of the agenda.

The three-year-old call proposal calls for the disbandment of the Greek-Cypriot National Guard, the withdrawal of Turkish troops from the north of the island and a UN-mandated force to keep the peace.

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Nato forces 'should stay in Bosnia'

By Laura Silber in Sarajevo

Nato secretary general Javier Solana said yesterday that alliance forces should remain in Bosnia beyond the end of the year when their mandate expires.

It was the clearest signal to date that Nato would extend its original one-year mandate, agreed last November in the Dayton peace agreement, in order to secure Bosnia's fragile peace.

"I believe the international community, including Nato, must remain engaged in Bosnia beyond this first year," Mr Solana said.

Western officials privately admit a Nato-led mission, smaller than the current 45,000-strong force, will remain in Bosnia. But because of the sensitivity of the issue in the US presidential race, Washington has refused to make public plans for further deployment.

Mr Solana's remarks came after Bosnia's first peacetime elections last Saturday brought to power the same leaders and parties who had waged war against each other for nearly four years.

Mr Carl Bildt, the chief international envoy to Bosnia, yesterday said he had won assurances from the newly elected members of the country's tripartite presidency that they would co-operate in the new multiethnic institutions.

"If power-sharing in Bosnia does not work, peace and unity in the country will be at risk," said Mr Bildt, in charge of the civilian side of the Dayton deal.

Asked if it were possible these institutions, which will join Republika Srpska, the Bosnian Serb entity, with the Moslem-Croat Federation in a loose union, would function, Mr Bildt said: "Over time with major pressure and with sustained international involvement, yes."

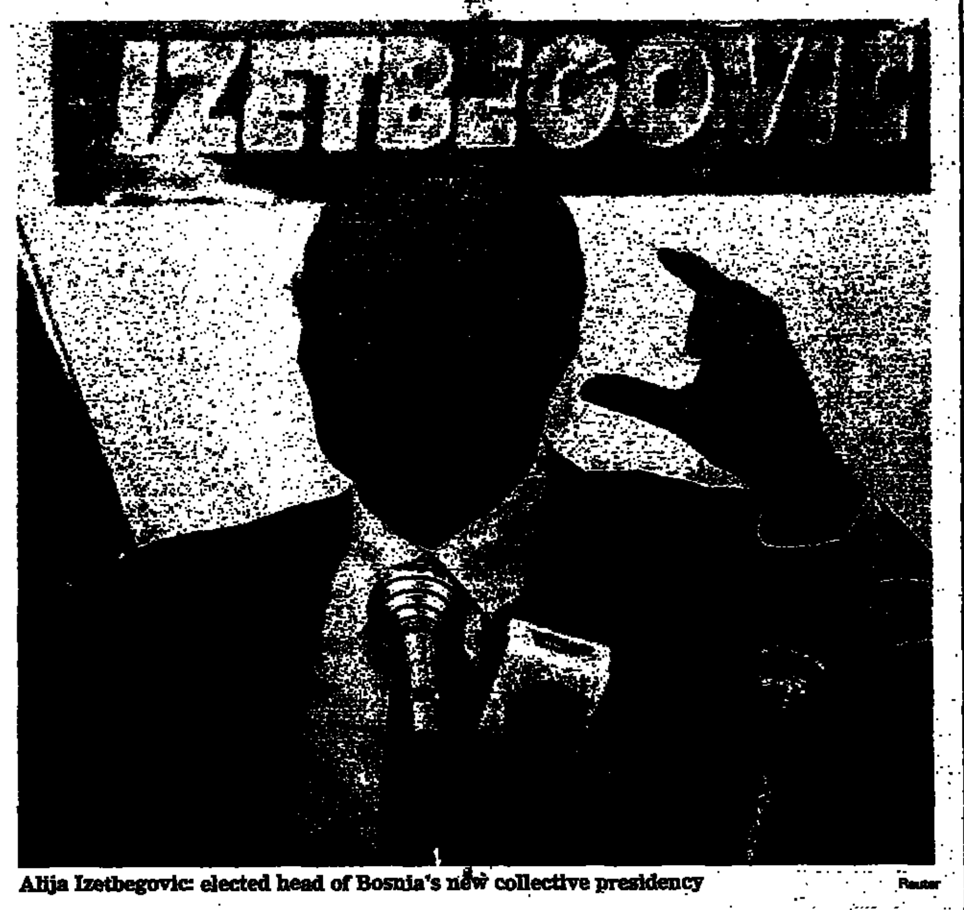
Mr Bildt said the presidency, comprised of a Serb, Croat and a Moslem, was not likely to meet until late this month once the election results are certified and Mr Alija Izetbegovic, its Moslem chairman who won the most votes, returns from the United Nations in New York.

The parties have yet to agree on a venue. Mr Momcilo Krajisnik, the hardline Serb presidency member who on Wednesday said Serbs would co-operate in the new government, has so far refused to go to Sarajevo, the Bosnian capital.

At the presidency's first meeting, which western diplomats insist will take place in Sarajevo, Mr Bildt said "the most immediate task is to set up the six-member council of ministers".

International envoys have begun behind-the-scenes negotiations on whom – and which national community – will get key cabinet positions, such as the foreign, finance and prime ministers. International mediators hope Serb leaders will be lured into co-operation by promises of international aid.

At a joint press conference yesterday, the World Bank and the European Commission hailed the success of the reconstruction programme in Bosnia, saying $880m of $1.9bn pledged for 1996 had already been implemented. But they warned a "major catch-up effort" would be needed to boost pledges for Republika Srpska, which comprise only 1.5 per cent of the total.



Alija Izetbegovic: elected head of Bosnia's new collective presidency Reuter

Bank of France cuts base rate to 3.25%

By David Buchan in [illegible]

The Bank of France [illegible] yesterday salu[illegible] 1997 budget by [illegible] intervention bas[illegible] per cent.

The 0.1 per cent cut [illegible] base rate came after th[illegible] tral bank had time t[illegible] that reaction to Wedne[illegible]day's budget on the financial markets was relatively positive.

After the rate announcement [illegible] franc strengthened slightly to close in Paris at FFr3.4025 to the D-Mark.

But in presenting the budget on Wednesday, Mr Jean Arthuis, the finance minister, claimed "the time of expensive money is today gone", indicating he might have had advance notice of the interest rate cut.

Fortified by this move and by positive reactions from leaders in his coalition government, the prime minister, Mr Alain Juppé, yesterday put the stress on his planned tax cuts next year. Far from being "a budget of rigour", the 1997 plan would inject a total of FFr55bn ($10.84bn) into the economy through a FFr25bn income tax cut, an early FFr15bn off-budget payment of savings premiums to poorer families outside the income tax net, and the carry-over of some consumption-boosting measures introduced earlier this year.

He omitted to mention a FFr13bn rise in tobacco, alcohol and petrol taxes, mostly to stem the social security deficit.

The government is counting on growth rising from 1.3 per cent this year to 2.3 per cent next year to help realise its calculation France can bring its overall public deficit down to 3 per cent in 1997, the level needed to qualify for monetary union.

Yesterday's rate cut may renew pressure on commercial banks but, faced with their own financial problems, they have left their "bank base rate" unchanged since April at 6.75 per cent.

No blank cheque for Czech banks

Vincent Boland on efforts to bring an end to the country's banking crisis

Mr Josef Tosovsky, governor of the Czech National Bank, scudded almost relieved this week as he explained measures to ease a liquidity crisis at Agrobanka, the country's largest privately-owned bank.

In securing the "temporary forced administration" of the bank and a Kč6bn ($230m) emergency credit to tide it over its cash crisis, the central bank chief was at last getting his own man inside the door of the bank that must have caused him the most sleepless nights.

"The icebergs have moved," Mr Tosovsky said, referring to a series of related events that began with the collapse of Kreditni Banka on August 7 – with an eye-catching Kč12bn in loan losses – and culminated as dawn broke over Prague on Tuesday with a deal to shore up Agrobanka.

A veteran already this year of eight banking minicrises before Kreditni imploded, leaving a rash of allegations, rumours, arrests, denials and disappearances in its wake, Mr Tosovsky felt confident enough to suggest the worst might be over for the bank sector and claim a small but important victory.

"Everything is [moving] much faster," he said. "We don't know the results yet but these events may bring more discipline and more respect for the law to our banking system."

The "icebergs" included not just Agrobanka and Kreditni, but also Motoinvest, a financial group that is a big shareholder in several Czech banks and has a prickly relationship with the central bank mainly because of its obsession with secrecy. It controls Agrobanka, once owned shares in Kreditni, and in the past few days has been overwhelmed by charges of fraud against one of its key executives.

Czech Republic's banking blues

Bank	Equity(Kč)*	Problem caused by	Date
Banks in forced administration			
[illegible]	[illegible]	[illegible]	[illegible]
Coop Banka	500m	loan losses	Apr 96
[illegible]	[illegible]	[illegible]	[illegible]
Realitbanka	54m	loan losses	Jul 96
[illegible]	[illegible]	[illegible]	[illegible]
Agrobanka	3.5bn	liquidity crisis	Sep 96
Banks in liquidation			
[illegible]	[illegible]	[illegible]	[illegible]
AB Banka	75m	loan losses	Dec 95
[illegible]	[illegible]	[illegible]	[illegible]
Kreditni	1.86bn	loan losses	Aug 96
Bankrupt banks			
[illegible]	[illegible]	[illegible]	[illegible]
Ceska Banka	1.2bn	loan losses	Dec 95

Source: Czech National Bank *Koruna ($1=Kč 26.28)

Tosovsky: getting his own man in the door

The European Bank for Reconstruction and Development is in "very preliminary discussions" with the Czech National Bank on taking a stake in Agrobanka, rescued by the central bank this week, writes Vincent Boland.

Mr Jiri Heubner, head of the EBRD's Czech desk, said yesterday the bank was in favour "in principle" of investing in the troubled bank on condition that its shareholder structure was clarified and that a viable long-term strategy was put in place.

The EBRD would not be a shareholder alongside Motoinvest, an investment company that currently controls Agrobanka, but is being forced out by the central bank because of links to the failed Kreditni Banka. Referring to the fraud allegations surrounding Motinvest and Kreditni, Mr Heubner said the investment company had "not shown the ability and character" to run a bank.

If the EBRD were to step in, it is most likely it would acquire between 10 and 20 per cent of Agrobanka, probably by buying some of the stake now controlled by Motoinvest. The exact size of the stake Motoinvest and its shareholder allies hold in the bank is a matter of dispute between it and the central bank.

Though a quarter the size of the largest Czech banks, Agrobanka, unlike other failed banks, is an important institution, a bank that, as one observer put it, "everybody has heard of".

It has a branch on most high streets, tens of thousands of customers, several pension and investment funds, and billions of crowns on deposit from state institutions.

In the past two weeks other banks refused to lend to it on the interbank market because they feared its links with Kreditni and Motoinvest threatened its stability and future. Flexing the central bank's muscles in an unusually aggressive way, Mr Tosovsky in effect ordered the banks to re-open credit lines.

Political reaction to the fall-out from these developments has been impressive, at least when compared with the silence that greeted earlier failures. The Kreditni failure is already the subject of two inquiries, one by the police – who have charged five people with fraud – and one by a cabinet commission comprising the finance, interior and justice ministries.

It may yet be subject to a third, if parliament agrees to an opposition move to hold its own investigation. The affair has been a gift to the Social Democrats (CSSD), who are milking the issue of financial market fraud – the subject of growing public resentment – as political parties start campaigning for a senate election in November.

Mr Vaclav Klaus, the prime minister, whose government has most to lose if other, bigger banks wobble, agreed to support holding the parliamentary inquiry, which would be the first on an issue of this type. He also said fraud was less to blame for the banks' problems than bad management, a view supported by many analysts.

To what extent the two issues are linked is certain to be probed by the parliamentary inquiry if it goes ahead. Another problem to be tackled is establishing the ownership of privately-held banks. Even as they unveiled the rescue package, central bank officials admitted they were not certain who the ultimate owners of Agrobanka were, because relationships within the Motoinvest-led alliance controlling it are unclear.

President Vaclav Havel, who rarely gives financial advice, suggested this week that Czechs switch their savings to bigger and more reliable banks. There is some evidence of a flight to quality after the series of failures among small banks this year that could now accelerate.

As the market considers the implications of the Kreditni fall-out, banking analysts are hoping for a new era of realism in the financial sector. This year has seen a big reduction in the number of banks that made loans to their shareholders with no expectation of ever getting paid back and whose motto, on contemplating their lending portfolios, appeared to be "Never mind the quality, feel the width".

These practices caused the downfall of several banks but gave all bankers an image problem. "They made it more difficult for honest banks to go about the business of plain old lending with the proper security," said Mr Sandy Chen of CS First Boston in Prague. "You could now see a better banking environment where bankers can lend on real lending criteria. That would be a very good signal."

EUROPEAN NEWS DIGEST

New Turkish revenue package

The Turkish prime minister, Mr Necmettin Erbakan, yesterday unveiled his government's second revenue-raising package, part of a plan to raise $10bn.

It includes selling state property, utilising unregistered precious metal stocks, applying a new withholding tax on state securities and reducing taxes charged on domestic car sales. "We are needy but surrounded by wealth," said Mr Erbakan before announcing the package.

The first package, introduced on July 31, included speedy privatisation, issuing foreign-currency denominated bonds, sale of state property, incentives and tax exemptions for Turkish workers abroad to channel their savings into the country and a 6 per cent charge on the financing of some imports.

"We have obtained a total of $1.9bn so far in one month, which shows how successful our first revenue package was, which also aimed to bring in $10bn," Mr Erbakan said. *Reuter, Ankara*

Kurds raided by police

Police in Belgium, the UK and several other west European countries raided homes and offices of Kurdish exiles from Turkey this week in a move against an alleged money-laundering racket linked to the Kurdistan Workers' party (PKK).

The main target was the Kurdish television channel Med-TV, whose offices in Belgium were occupied by police on Wednesday night and a number of its staff arrested. Other Med-TV staff were arrested at the Kurdish "parliament-in-exile" in Brussels. Med-TV's London office was also raided by British police, who took away files but made no arrests.

The Brussels newspaper Le Soir quoted "senior judicial sources" as saying: "Belgian tolerance of Kurdish activities has reached breaking point." Med-TV's satellite broadcasts have long been a thorn in the side of the Turkish authorities. Ankara regards the station as a front for the PKK, which is carrying on a violent struggle for Kurdish autonomy in south-eastern Turkey. Med-TV has been warned by the UK's Independent Television Commission about its uncritical and partisan coverage of the PKK. *Edward Mortimer*

Chernomyrdin to take reins

President Boris Yeltsin formally designated Mr Victor Chernomyrdin, the Russian prime minister, as his stand-in with a decree announced yesterday, leaving him briefly in charge of the country when the president undergoes a heart bypass operation later this month.

The decree, an attempt to calm speculation about in-fighting behind the walls of the Kremlin, makes it clear that full presidential powers, including control over Russia's vast nuclear arsenal, will only be transferred to Mr Chernomyrdin if and when the president signs a second order authorising the handover.

As yesterday's decree itself pointed out, the decision is in line with the Russian constitution, according to which power devolves to the prime minister if the president dies or is incapacitated. *Chrystia Freeland, Moscow*

Russian hunger strike ends

Dozens of power plant workers in the Russian Far East yesterday called off a 16-day-old hunger strike after the government promised wages owed from May and part of June would be paid. But 10,000 others, whose strike has plunged Russia's Pacific rim into darkness in the past three days, remained unmoved.

Mr Victor Lepeshkin, a strike organiser, told Interfax workers would stay out until the entire Rbs 130bn ($24m) back wage bill was covered. Miners in Vorkuta, a large Arctic coal mining centre, yesterday called a strike from October 1 and nuclear plant workers also threatened to join the protest. *Matthew Kaminski, Moscow*

Swedish export forecast up

A strong pick-up in foreign demand for manufactured goods prompted the Swedish Trade Council to upgrade its 1996 export growth forecast from zero to 3 per cent. The revision from its spring estimate was attributed to companies faring better than expected against the stronger krona. However, the board warned that a likely strengthening of the krona next year would result in lower export growth in 1997.

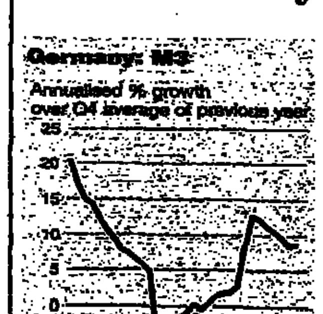
The findings, published on the eve of today's government budget, were affirmed by the National Institute of Economic Research. It said one third of Swedish businesses reported increased export orders in August, fuelling a sharp improvement in manufacturing activity. *Greg McIvor, Stockholm*

Belgian steel hopes dashed

Mr Karel Van Miert, European competition commissioner, yesterday gave little hope to Belgian steelmaker Forges de Clabecq that its government-backed rescue plan would get EU clearance. "It makes no sense to continue pouring taxpayers' money down the drain if there is no real chance to find viability for the company," he told Belgian RTBF radio. "There is still overcapacity in the steel sector and other companies are threatened in other member states." On Wednesday the European Commission said it had asked Belgian authorities to provide details of the Clabecq rescue plan, which involves a planned BFr1.5bn ($48m) capital injection and the waiving of BFr500m in debts. *Reuter, Brussels*

ECONOMIC WATCH

German money supply up



The key measure of German money supply edged up in August, along with a widely watched index of business confidence, signalling a modest pick-up in the German economy. The Bundesbank said yesterday that August M3 money supply went up by an annualised 8.7 per cent against the fourth quarter average of 1995. The M3 growth rate, which was slightly ahead of expectations, compares with rates of 9.6 per cent in June and 8.6 per cent in July. The rise in M3 has once again triggered market comment that the Bundesbank may have reached the end of the cycle of interest rate cuts.

The German central bank has surprised market commentators several times this year by cutting interest rates even at times when M3 growth exceeded the Bundesbank's targets. Indications of a modest upturn in the economy were corroborated by the monthly IFO confidence indices. The western German index edged up from 94.0 in July to 94.4 in August, which is the combined effect of more pessimism about current business conditions and more optimism about the future. The east German business confidence index rose from 102.9 to 103.9. *Wolfgang Münchau, Frankfurt*

■ New car sales in France surged around 90 per cent in the first half of September over year-earlier levels, propelled by the impending expiry of a state rebate scheme, an industry official said yesterday. *AFX, Paris*

NEWS: EUROPE

Confident Finns wait at ERM's door

Everyone expects Helsinki to join soon – as prelude to Emu membership, writes **Hugh Carnegy**

Currency traders betting that the Finnish markka was set to join the European exchange rate mechanism this weekend had to think again yesterday when word came from the Bank of Finland that it would not.

Mr Ilkka Kanerva, chairman of the central bank's supervisory board, flattened speculation that had grown to fever pitch in mid-week by saying after the board's monthly meeting that a crowded programme for European Union finance ministers and officials ruled out an imminent move.

Senior officials within the government were not so unequivocal. But if action this weekend now seems unlikely, Mr Kanerva's comments did nothing to undermine the firm assumption now taking hold in Helsinki, Brussels and the financial markets that the markka will join the ERM soon.

In an interview this week in Helsinki, Mr Paavo Lipponen, the prime minister, was unwilling to be drawn on the subject, beyond saying a decision on whether to join would be made by his government "in the near future".

But the Social Democratic leader, a strong advocate of Finnish integration into the EU economy, stressed Finland's strong economic fundamentals and added: "Technically we can do it quickly and easily."

A move into the ERM would be a significant moment for Finland – and for the EU as it prepares for European monetary union.

For the first time, Finland would be moving ahead independently of its bigger neighbour, Sweden, which has signalled it is not willing to join the ERM, at least not yet. Finland, which has set its sights on Emu membership, would also become only the second country – after Austria last year – to enter the ERM since the traumas of 1992 when Britain and Italy were forced out by huge speculation against their currencies.

Finland is approaching the issue from a growing position of strength. After the trauma of deep recession in the early 1990s, the country has returned to solid growth, its public finances have been brought under control and the currency has been stable for almost two years.

Mr Lipponen's broad-based government – which includes conservatives, leftists and greens as well as the SDP – has set itself a target of qualifying Finland as a founder member of Emu, due to start at the beginning of 1999. Although opinion varies within the EU over whether prior membership of the ERM is an essential pre-condition for Emu membership, the government has indicated it believes such a step is an important prelude.

Mr Lipponen made clear his belief that the re-establishment of long-term economic stability in Finland depended on deeper integration within the EU.

"Emu would give us the extra stability we need in the economy. We need to have currency and interest rate stability – and [in Emu] we'll be in the group working towards a European economic policy. And all the time you have to ask what the alternative is. Outside Emu we would be subject to at least as strict discipline in fiscal and monetary policies but we would be more vulnerable particularly to interest rate fluctuations."

Finland's EU partners have been impressed by Helsinki's dogged determination to get its economy in shape for Emu. A series of tough budgets has shrunk the general government budget deficit from 8 per cent of GDP in 1993 to an expected 2.9 per cent this year – within the qualification criteria for Emu. The gross public debt will rise to nearly 62 per cent this year, outside the 60 per cent limit, but it is set to fall again in 1997.

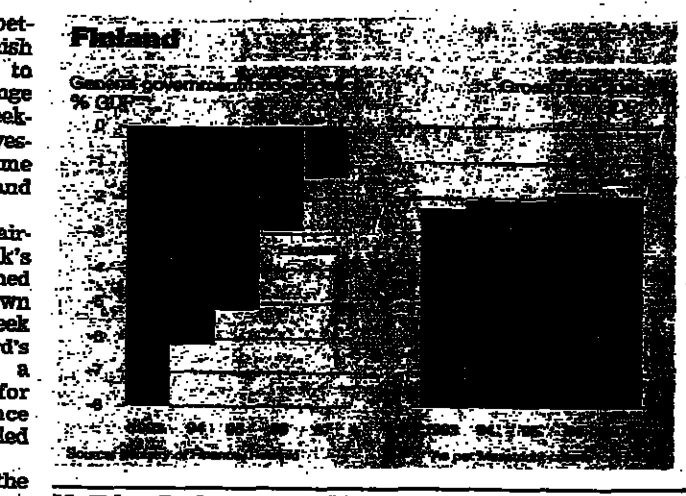
Economic growth, meanwhile, is expected to reach nearly 3 per cent this year and 4 per cent next year, with the current account in healthy surplus. The biggest problem is unemployment, running at more than 16 per cent of the workforce, but Mr Lipponen says the current stabilisation policies will underpin future employment growth.

The markka has been steady in a range of FM3.0 to FM3.10 against the D-Mark for most of the past two years and is likely to enter the ERM at a rate just above FM3.0. It should have little trouble staying within the 15 per cent ERM fluctuation bands. It is a far cry from the position in 1991 and 1992, when the markka was twice pegged to the Ecu, and twice floated, devaluing in total by 35 per cent in the process.

The main fear in Finland – voiced by the pulp and paper industry – has been the consequences of fixing the markka while the Swedish krona continues to float. Sweden remains a vital export market for Finland, and its forestry industry competes with Finnish companies in world markets.

But Mr Lipponen dismisses these fears. Sweden, he says, would be severely punished by the financial markets if it attempted to manipulate its currency to gain an advantage. "What Sweden does is not decisive for us. We will make our own decisions on all these issues," he says.

Mad dash for line, Page 13



Lipponen: 'We can do it quickly and easily.'

Mr Urban Bäckström, Swedish central bank governor, hinted yesterday he favoured entry into the European exchange rate mechanism (ERM) in the next 12 months, writes Greg McIvor in Stockholm. He said it was "hard to envisage" Sweden ultimately remaining outside, were monetary union established by a majority of EU members. He reiterated Sweden's position that ERM membership was not a prerequisite for Emu participation, but said that it would display a "firm determination" to conduct a stable economic policy. "Demonstrating this firm determination is important for a coming participation in Emu and perhaps even more important if Sweden were to choose to defer participation," he said.

Finnish directors on securities market charges

By Greg McIvor in Stockholm

Finnish prosecutors yesterday indicted eight directors of Kansallis-Osake-Pankki, the former Finnish commercial bank, on charges of securities market offences during a FM2bn (£281m) share issue in 1994.

The decision to prosecute followed a police investigation of accusations by a group of 59 small shareholders that they were misled by share marketing information published by KOP.

The issue, made less than three months before KOP's merger last year with its rival Unitas to form Merita Bank, Finland's largest, was informally guaranteed by Pohjola and Repola, which were later merged to form UPM-Kymmene.

As KOP's biggest shareholders, they informally pledged to subscribe for at least FM1bn of the offer.

In the event, the tranche taken by the two companies was only FM400m, forcing other large investors, including KOP's pension fund, to take up the slack.

Shortly after the issue, KOP warned of deteriorating losses.

By then its shares had fallen from FM10.60 at the launch of the share offering to FM4.46.

This was far below the FM6.40 new issue price. The stock was still languishing below FM6 when the Unitas merger was announced.

The 59 small shareholders, who represent only a tiny fraction of KOP's pre-merger equity, have filed civil claims against KOP for FM9.5m in compensation.

This represented the lost share value from the issue and the subsequent merger, under which three KOP shares were swapped for every one Unitas share.

The civil suit also includes allegations by shareholders that they were misled over KOP's true financial position.

They also claim that KOP was already in merger negotiations with Unitas at the time of the issue.

Six members of KOP's management board have been charged with securities market crime, which under Finnish law carries a maximum one-year prison term.

The two supervisory board members are accused of securities market offences, for which the maximum penalty is a fine.

Merita said yesterday it was confident that none of its directors acted illegally.

Parliamentary support pact will not affect qualification for Emu

Catalan deal may cost Madrid $1bn

By David White in Madrid

The Spanish government's deal with Catalan nationalists to win their support in parliament will add Pta130bn ($1.02bn) to the cost of financing regional governments over the next five years, according to a report published yesterday.

However, it finds that new funding arrangements for Spain's 17 regions will not increase the spending burden for next year – the reference year for entry qualifications for the European single currency.

The report comes just ahead of a meeting on Monday between the finance ministry and regional governments to settle details of their funding arrangements. The government's 1997 budget, aimed at cutting the public sector deficit to the 3 per cent target level from an officially expected 4.4 per cent this year, has to be sent to parliament by the end of the month.

The new arrangements agreed between the ruling Popular party and the Catalans in April after the general elections are being challenged by some of Spain's poorer regions – especially Socialist-governed Extremadura, which has announced plans to stage a referendum on the issue.

Mr Vicente Martínez-Pujalte, a Popular party MP and one of the directors of the study, published by the Bancaja foundation, said all regions would gain.

Under the existing system, regions receive 15 per cent of the income tax collected on their territory as well as other transfers from central government.

The Catalan authorities complained that ceilings set on these funds meant they got less than their due for running local services.

The new plan involves doubling the tax share to 30 per cent.

In an attempt to make regional governments more answerable to taxpayers, the extra tranche will in effect become a regional tax with leeway for variations in rates. The change is to be implemented over a two-year transition period.

The system does not apply to the Basque region or Navarre, which have special arrangement for collecting their own taxes.

The report forecasts an accumulated extra cost of Pta130bn between 1997 and 2001, compared with projections based on the old system, without ceilings. But the increases would not come until 1998, and for next year there would be a small net saving of Pta4.5bn.

Catalonia would be among the main beneficiaries over the five years, receiving an additional Pta19bn, along with the Galicia region in the north-west (Pta30bn), Valencia (Pta22bn) and Andalucia (Pta18bn).

Compared with the amount that would have been available if ceilings were maintained at this year's levels, the overall increase is put at Pta543bn.

The new arrangements between the ruling Popular party and the Catalans are challenged by some of Spain's poorer regions

NEWS: THE AMERICAS

CBC plan to turn off US TV shows

By Bernard Simon in Toronto

The Canadian Broadcasting Corporation plans to eliminate US programmes from its TV schedule within the next two years.

The ambitious target was unveiled yesterday as part of a sweeping austerity package designed, in the words of Mr Perrin Beatty, president, to position the public broadcaster "as both a distinctive and a cost-effective organisation".

The reforms have been forced on the CBC by cuts in government funding that will reduce its budget by more than C$400m (US$292m) between the 1995 and 1998 fiscal years.

Mr Beatty announced plans to cut up to 2,500 jobs, or almost a third of the workforce. But he said programming changes would bring the 60-year-old corporation closer to its original mandate of providing a distinctively Canadian voice on TV and radio.

The new strategy includes a shift of emphasis in advertising policy. The TV service's reliance on ads has risen sharply over the past decade to the point where commercials now accounts for about half the English network's budget and almost 40 per cent of the French network's spending.

The drive for advertising has led to a sharp increase in sports coverage and to the purchase of many popular US TV shows.

The CBC's radio service is commercial-free, a fact which is often cited for its success in maintaining a high quality of Canadian programming as well as a large and loyal audience.

Mr Beatty said TV programming would be based primarily on the CBC's mandate as a public broadcaster. CBC would seek to maximise advertising revenues from these programmes.

Coverage of professional sports would be brought "into better balance with the rest of the schedule".

Mexico's tax men working overtime

By Leslie Crawford in Mexico City

The Mexican government has launched a crackdown against tax evasion, issuing arrest warrants against construction magnates, newspaper owners and even a world boxing champion in an attempt to convince Mexicans that their tax-dodging days are over.

During the past week, the government has orchestrated flashy police operations to hunt down selected tax offenders. On Wednesday it ordered the arrest of three well known entrepreneurs, including Mr Alfredo Hakim, who built the international wing of Mexico City's airport. Mr Juan Francisco Ealy Ortiz, publisher of El Universal, turned himself in last Friday after armed police had surrounded the newspaper's headquarters, while Mr Julio Cesar Chavez, one of Mexico's most famous pugilists, has evaded arrest and is now an outlaw, according to the government.

In addition, the finance ministry is understood to be auditing three top businessmen known for their dealings with Mr Raúl Salinas, the elder brother of Mexico's former president, Mr Carlos Salinas. Mr Raúl Salinas was jailed last year on charges of masterminding the assassination of a leading government politician, and of amassing an illicit fortune during his brother's presidency. Last week the government brought a third charge against Mr Raúl Salinas: that of tax fraud.

Senior finance ministry officials confirmed that Mr Ricardo Salinas Pliego of Televisión Azteca, a private TV network, Mr Adrian Sada of Banco Serfin, Mexico's third-largest bank, and Mr Carlos Peralta, owner of the cellular telecommunications company Iusacell, were being subjected to thorough tax audits. All three have admitted to accepting loans from Mr Salinas or lending him money.

Tax audits are a traditional weapon in the Mexican government's arsenal against political enemies. But government officials denied this week that a witch-hunt was under way.

Mr Tomás Ruiz, under-secretary for tax affairs at the finance ministry, says the crackdown was prompted by a vertiginous drop in tax receipts since the devaluation of the peso in December 1994, the month President Ernesto Zedillo took office.

In the first six months of 1996, tax receipts (excluding those paid by Pemex, the state oil monopoly) fell to less than 7 per cent of gross domestic product, compared with 8 per cent in 1995, 9.34 per cent in 1994 and almost 10 per cent in 1993.

The fall since 1994 represents a loss to the Exchequer of almost $5bn, according to Mr Ruiz.

Mr Ruiz admits the biggest obstacle to improving tax collection lies within the government itself.

The finance ministry has fired 200 corrupt tax inspectors this year. It has placed its 1,800 customs police under military control, and appointed army intelligence officers to root out contraband networks and corruption rings inside the inland revenue service.

It has not been easy, however, to convince businessmen to denounce cases of extortion. "Businessmen fear reprisals," Mr Ruiz says. "But more often than not, it is cheaper to bribe a tax inspector than to come clean with the authorities."

Of a population of 90m, only 5.5m Mexicans pay taxes. Mr Ruiz believes he could raise tax revenues to 10 per cent of GDP if he could crack down effectively on evasion.

To do so, Mexico's 6,500 tax inspectors are working overtime. Tax inspections – from routine spot checks to full audits – have increased by 30 per cent this year to cover 400,000 companies and individuals.

Where fraud is detected, Mr Ruiz says the government will no longer agree to drop charges if fines and arrears are paid.

Carlos Salinas, former president: his brother is in jail Reuter

Insider trading fills SEC case books

Dirty dealers of the '90s are more likely to be caught, reports **Tracy Corrigan**

The current US mergers and acquisitions bonanza has enriched not only legitimate investment bankers and option-owning executives, but also a less savoury group of characters: insider traders.

The insiders of the 1990s may be less glamorous than anti-heroes of the 1980s such as Ivan Boesky and Michael Milken, but there are at least as many of them. The Securities and Exchange Commission has brought 45 cases in each of the last two years, still the largest annual load of cases to date, but this year could well set a record.

"My sense is that the inventory of investigations has increased," said Mr Bill McLucas, head of the SEC's enforcement division. Insider trading "remains an area of the markets where some people still seem to be willing to take the risk", he added, despite the threat of large financial penalties and criminal prosecution.

"There are more [mergers and acquisitions] deals than five years ago and some of the lessons of the 80s, when people faced jail sentences, may have become dim memories," said Mr James Morphy, head of mergers and acquisitions at Sullivan & Cromwell, a leading New York law firm.

It may well be that more dirty dealings are being done; but it could also mean that more dubious trades are being detected. Exchanges such as the New York Stock Exchange and the American Stock Exchange have spent large sums of money on computer systems which track unusual trading patterns, such as rapid price movements or volume surges.

"The odds are quite high that people will be caught," Mr Morphy believes. High-profile transactions are routinely scrutinised, and even small trades can be detected. In theory, a sophisticated trader could get round this by using unlisted products like over-the-counter options, but the nature of such options means that one of the two counterparties is bound to lose out, which might encourage whoever was on the opposite side of a trade to alert the authorities.

One common way of throwing investigators off the scent is still to trade through foreign accounts. New agreements with foreign authorities have made it easier to track down traders who have taken this route, or at least to get hold of the money, but the success rate still varies depending on the enthusiasm or clout of the local authorities. For example, the SEC filed a case on Monday against unknown purchasers of call options on Duracell stock, traded ahead of the company's merger with Gillette, announced the previous week. The trades were conducted on US exchanges through US brokers. The brokers revealed that their clients were a Swiss bank and a Bahamian trust company; but they in turn have refused to name their clients. The SEC has already managed to freeze the almost $1bn trading profits in the accounts, but it is not certain that the alleged insider traders will ever be identified – even though they could well be US residents.

So who are the perpetrators of these crimes? Predictably, despite their already high pay-packets, investment bankers and company officials are among the most frequent offenders. Sometimes, they themselves do not benefit directly, but they pass the information on to spouses or children or friends, who then act on it.

The SEC this week asked a federal appeals court to reconsider a circuit court ruling made in August that means, potentially, that while an executive dealing on insider information would be guilty of a crime, a family member using information gained from that executive would not – a rejection of the use of so-called misappropriation theory as a prosecution tool.

However, in the majority of US circuit court jurisdictions, misappropriation theory is accepted and anyone with access to information is a potential insider. Lawyers may know the risks, but this does not seem an adequate deterrent. A lawyer at Cravath, Swaine & Moore, one of the most prominent Wall Street legal firms, last year admitted passing information to his brother on companies such as CBS, ITT and SG Warburg. Financial journalists, printers and distributors have also been brought to book for profiting from trades ahead of the publication of market-moving material.

More bizarrely, the newest species of insider is to be found among America's large body of therapists. For example, a psychotherapist traded on information concerning the 1994 merger of Lockheed and Martin Marietta which he had learnt about while counselling a Lockheed executive on marriage troubles.

Compared with regulators in most other countries, the SEC has been highly successful in prosecuting insider traders, largely thanks to its enforcement powers – it can bring cases resulting in large fines and the return of any profits.

However, in more serious cases, the SEC works closely with the federal courts, which can bring criminal proceedings requiring greater burdens of proof but also carrying more severe punishments.

"That segment of the population that stops at stop lights and pays taxes generally understands that insider dealing is criminal behaviour," said Mr McLucas. If the SEC's workload is anything to go by, the traffic police must have their hands full.

Rubin: 'difficult issues' in consumer protection

Regulators set up Internet task force

By John Authers in New York

US financial regulators have set up a task force to examine how emerging electronic and Internet transactions will affect their current rules for payment systems.

Mr Robert Rubin, Treasury secretary, said electronic money posed "difficult issues in consumer protection," but stated he wanted to avoid "inappropriate regulation".

Likening the development of "e-money" to the Industrial Revolution, he said the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Treasury would look at the regulations jointly.

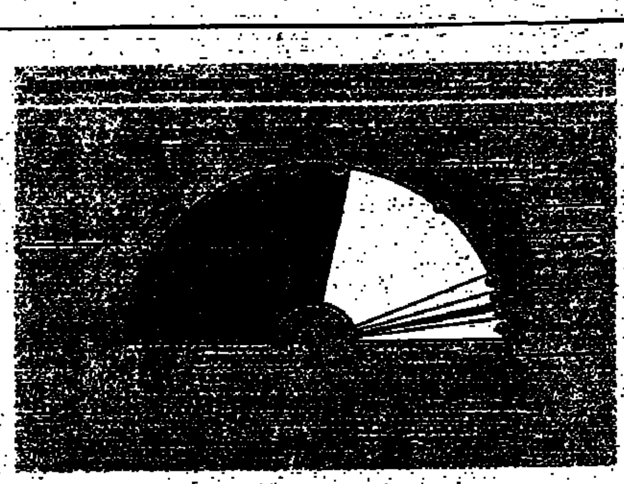
At present, prevailing legal advice from the government is that money held on most "smart cards" offered by banks does not technically qualify as a deposit and does not therefore have state insurance.

The Smart Card Forum, a grouping of the largest card offerers, was broadly supportive of the government's stance. But it cautioned it would be premature to introduce detailed regulations now as they might be rendered technologically obsolete within a year.

Internet list, Page 7

LDP sees road to full control

William Dawkins on the attractions for Hashimoto of calling early elections



Mr Ryutaro Hashimoto, Japan's prime minister, yesterday started the dice rolling for a general election after three years of political instability.

Leaders of his three-party coalition agreed to take the essential procedural first step to the polls, to call an extraordinary session of parliament next Friday. Then, Mr Hashimoto will name the day of the election, said in political circles to be October 20, and immediately dissolve parliament again to allow campaigning to begin.

On the evidence of the latest opinion polls, the outcome will be to strengthen the grip of Mr Hashimoto's conservative Liberal Democratic party, barring upsets under a new electoral system to be tested for the first time at this election.

If the polls are right, this would mark a return, but only a partial one, to the monopoly on power which the LDP enjoyed for nearly four decades until its downfall in 1993, a feature of the political and social stability which underpinned Japan's post-war economic growth.

It is likely that Mr Hashimoto would be chosen, in the parliamentary vote shortly after the general election, as prime minister for a second term. That points to more cabinet seats for the LDP, which would as a result be less beholden to its coalition partners in carrying out its policies of tax reform, cutting the government deficit and a hard line on trade negotiations.

The new government would be less prone to delaying important decisions while intricate compromises are sought in smoke-filled back rooms, the hallmark of the past four coalitions.

Many in Japan's unsettled and conservative electorate find this prospect comforting. Rule by a stable dominant party is the natural Asian model, in contrast to the four warring continental European-style coalitions which have governed Japan in the past three years, argues Mr Koichi Kato, the LDP's secretary general. A clearer voice from Tokyo might also be welcomed by Japan's trade partners.

The downside, opponents fear, is that a stronger LDP might be tempted to slide back into the complacency and corruption which caused it to be thrown into opposition for nearly a year until mid-1994. But things are looking brighter for the LDP than for years, which is presumably why Mr Hashimoto has chosen now, eight months after taking office, to go to the polls, rather than wait until the legal deadline of next July.

> 'Candidates feel that they cannot afford to say anything controversial. If anything the political debate has become more vague rather than more focused'

His standing has been helped recently by adroit handling of the island of Okinawa's objections to US military bases there and by the feel-good factor of a gentle economic recovery. An election also deflects attention from embarrassing opposition attacks on allegedly shady financial dealings by Mr Kato, and an unpopular sales tax rise next spring.

The moment is made all the more propitious for the LDP by the disarray of an increasingly fragmented opposition, made worse by the emergence this week of yet another new party. According to a poll yesterday by the Asahi Shimbun newspaper, the LDP has 30 per cent support, while the three main opposition groups command between 5 per cent and 7 per cent each, leaving around half the electorate undecided.

All this is a far cry from the aspirations of the first post-LDP government under Mr Morihiro Hosokawa, former prime minister, in autumn 1993, devoted to no less than changing the face of Japan. Mr Hosokawa's coalition saw itself as paving the way for a UK style two-party system, leading to an open policy debate not seen in Japan for generations – if, indeed, ever.

The Hosokawa coalition, most of whose members are now the backbone of the least small opposition party, the New Frontier party, hoped the tool which would break the LDP's dominance would be a new electoral system, which they were instrumental in putting into effect.

It is designed to encourage politicians to seduce voters with policies, rather than with the traditional swimming pools and cash handouts at weddings.

Under this new system, the next parliament will consist of 500 seats, including 300 single-seat constituencies and 200 elected by proportional representation, in contrast to the present parliament of 511 members elected in multiple-seat districts.

This should make politicians work harder for votes. Instead of being able, as in the past, to get a seat with as little as 20 per cent of the vote in his constituency, a candidate may now have to seek more than 50 per cent support, assuming there is only one opponent. Electoral boundaries were redrawn to give more weight to the growing urban vote.

But instead of provoking a policy debate, the new system has paralysed many politicians, both old and young, who are aware that it is harder to win support from a broad constituency than from the comfortably narrow interests they serviced in the past. "Candidates feel that they cannot afford to say anything controversial. If anything the political debate has become more vague rather than more focused," says Mr Kato.

Naturally, the LDP's rivals do not agree. Mr Takeo Nishioka, the opposition NFP's secretary general, yesterday argued Japan was in fact moving towards a two-party system and real-policy debate – even if in slow-motion Japanese fashion.

There are, after all, noticeable differences in the NFP's and LDP's fiscal policy, the one area which divides the otherwise indistinguishable. The NFP believes that a sales tax increase next spring could choke the economic recovery, and suggests delaying it for at least a decade, until after a massive programme of public spending on technology.

Apart from that, they agree – as do all parties – on the need for a slimmer, more accountable bureaucracy, a sign that at least one of the hopes of Japan's early 1990s political experiment is still alive. As so often in Japan's history, new ways advance tentatively: two steps forward and one back.

Gujarat state rulers sacked

By Mark Nicholson in New Delhi

India's president yesterday sacked the Hindu nationalist state government of Gujarat, one of the country's wealthiest and most industrially dynamic states, and installed rule from New Delhi.

Mr Shankar Dayal Sharma dismissed the western state's 19-month-old Bharatiya Janata party administration after the state's governor advised the United Front government in New Delhi that constitutional rule in the state had "broken down".

It reached a climax when an internal feud in the state's governing party erupted into uproar in the state's parliament.

Gujarat is one of the top five states in terms of inward investment and, long before India's economic liberalisation in 1991, was an aggressive seeker of international investment.

Mr L.K. Advani, president of the BJP, the main opposition to the United Front at national level, called the move "an outrageous assault on Indian democracy".

The political fracas in Gujarat is a blow to the BJP, which portrays itself as a disciplined party and saw its wresting of Gujarat from Congress party control last year as a political milestone.

The UF's decision to impose central rule is likely to dominate parliamentary affairs in New Delhi (where the BJP is the largest party), as well as the campaigning in Uttar Pradesh, India's largest state and among its most politically important. Elections are due there later this month. Central rule in Uttar Pradesh was imposed last year by the former Congress government.

Yesterday's dismissal came after an attempt by Mr Suresh Mehta, Gujarat's chief minister, to force through a confidence vote ended in uproar. The vote was called without warning, after the state assembly's BJP deputy speaker had suspended all opposition members and a bloc of former BJP MPs whose defection in August precipitated the present crisis.

The ex-BJP rebels, led by Mr Shankersinh Vaghela, had been at odds with Mr Mehta and his supporters for over a year, finally splitting last month to form their own party.

Differences within the state's BJP have been partly over political patronage and partly a reaction by Mr Vaghela and his supporters to the control sought over the local party by strongly ideological Hindu nationalist groups closely associated with the BJP.

These include the Rashtrya Swayamsevak Sangh, a hardline Hindi organisation to which many top BJP politicians belong.

Bhutto seeks to boost credibility of sell-off programme

Pakistan seeks power sale help

By Farhan Bokhari in Islamabad

Pakistan is to seek international financial advisers by the end of the month for the proposed sale of five of its largest power plants. The move marks an attempt by the country to improve the credibility of its privatisation programme, a senior official said yesterday.

The cut-off date of September 30 for submission of formal offers, comes just days before Ms Benazir Bhutto, prime minister, is due to meet Mr James Wolfensohn, World Bank president, and Mr Stanley Fisher, deputy managing director of the IMF, in New York.

The meeting comes amid international concerns about Pakistan's ability to meet its budget deficit target of 4 per cent of gross domestic product as well as anxiety over large looming foreign debt repayments and the faltering progress of its privatisation programme.

Ms Bhutto hopes that progress on power privatisation would be a reassuring gesture ahead of the New York meeting. Long delays in the sale of public assets such as Pakistan Telecommunications Corporation, the sole telephone company, have harmed investor confidence. "The pressure to launch the privatisation of the power plants is an attempt to revive confidence among investors and international lenders," said one official.

The government is keen to sell up to 26 per cent of each of the power plants and transfer their management to the new buyer, by June next year. "If this plan goes through, it would mark the most important step towards privatising the power sector and would also push forward the privatisation of the entire public sector," said the official, who spoke anonymously.

The plants listed for privatisation are the 260MW Multan thermal power station, the 376MW Faisalabad steam and gas turbine station and the 840MW Muzaffargarh steam station in the province of Punjab, and the 1,655MW Guddu Power complex and the 100MW Lakhra coal plant in the southern province of Sindh. Their total capacity of 3,281MW represents almost a quarter of the country's generation capacity of 12,900MW.

These plants are in addition to the 880MW Jamshoro power plant in Sindh where CS First Boston was selected as the financial advisers, earlier this year, to begin preparations for its privatisation.

Pakistan also plans to begin the privatisation of its first area electricity distribution board with the planned offer for the sale of the FAEB (Faisalabad Area Electricity Board) by the end of this year.

Tung Chee-hwa telling a news conference of his plans for high office yesterday Reuter

Shipping chief gears up to run for top HK post

By John Ridding in Hong Kong

Mr Tung Chee-hwa, the Hong Kong shipping tycoon, said last night he was preparing to run for the territory's top political post after its return to Chinese sovereignty in July next year.

"I have recently begun to give serious consideration and active preparation to putting myself forward for nomination," he said, breaking his silence on the issue. The shipping magnate, long regarded as a front-runner for the post, said he hoped to make a decision within the next few weeks.

Although Mr Tung stopped short of declaring his candidacy, the statement was the strongest indication that he intends to contest the position of chief executive, as the post colonial governor will be known. His cautious comments reflected the manoeuvring which has surrounded the contest, in which potential contenders have sent coded signals about their intent.

Of potentially serious challengers, only Sir Ti Liang Yang, has given a clear indication of his intent, resigning from his post as chief justice to prepare for the contest. A decision is due by the end of November after selection by a 400-member selection committee and approval by Beijing.

Mr Tung's cautious approach might also signal an attempt to encourage other rivals to declare their hand. "More people should come forward so there is a wider choice," he said. The number of nominations from members of the selection committee has been reduced from 100 to 50, raising the prospect of more contenders.

The selection of the chief executive, who will be responsible for upholding Hong Kong's promised autonomy, is perhaps the most important decision ahead of next year's handover. "It is not a decision to be taken lightly," said Mr Tung. After recent meetings with pro-democracy figures and representatives of social groups he said he would continue consultations in the Hong Kong community.

The chairman of Orient Overseas said he was making "suitable arrangements" for his business empire so he could give full attention to his decision. If selected, he pledged to resign his business positions.

Seoul angered by 'provocation'

By John Burton in Seoul

The intrusion of a North Korean submarine on to the South Korean coast amounted to an armed provocation by Pyongyang, President Kim Young-sam said in Seoul yesterday.

The incident "clearly indicates North Korea has never given up its desire to unify the nation by communising the South," Mr Kim told opposition leaders.

The Seoul government has recently warned of a growing North Korean military threat caused by political instability, as the North's economic problems worsen.

Relations between the two Koreas are at a nadir, with political talks suspended since 1993; recent efforts to promote economic co-operation have collapsed.

The South Korean military says at least 20 North Koreans went ashore from the submarine, which ran aground early on Wednesday off the east coast. One North Korean has been captured and 18 others killed by South Korean troops or by suicide.

Defence officials in Seoul claim the submarine hit a reef after dropping off infiltrators on a beach near the city of Kangnung.

The captured North Korean initially said the submarine drifted to the South Korean coast after suffering a mechanical problem while on reconnaissance. But he confessed under interrogation yesterday that the submarine had been trying to land agents.

North Korea has not commented officially on the incident, but it refused to accept a protest about the intrusion from the United Nations Command, which represents South Korean and US military forces in the south.

Pyongyang has suspended contacts with the UN Command since 1994 as part of its policy of replacing an armistice agreement that ended the 1950-53 Korean war with a peace treaty.

The submarine incident is likely to add to security worries in South Korea. The government has already asked for a 14 per cent increase in the 1997 defence budget. The intrusion has shown up gaps in South Korea's defence preparations, with the submarine apparently undetected for several hours after it was beached along the heavily-patrolled coast.

Banharn 'broke electoral law'

By Ted Bardacke in Bangkok

Thailand's prime minister, Mr Banharn Silpa-archa, also known by the Chinese name Tekchiang Sae Bae, was born in China and thus should be disqualified from holding political office, opposition MPs claimed during a parliamentary censure debate yesterday.

The issue is potentially damaging to Mr Banharn, who faces a no-confidence vote at the weekend, because it involves allegations he broke the electoral law. Though the accusation does not reflect anti-Chinese sentiment, it has brought to the surface the issue of race.

It also carries an irony. The opposition MPs making the allegations are themselves ethnically Chinese and admit they are uncomfortable about disturbing racial harmony in Thailand, where Chinese integration has been smooth.

Some of the most prominent voices arguing for Mr Banharn's removal are influential Chinese. On Tuesday, Mr Photipong Lamsam, president of the Board of Trade and a senior member of the Hokkien-descended Lamsam family, which owns Thai Farmers Bank, called on Mr Banharn to dissolve parliament.

About half Bangkok's residents have some Chinese ancestry. Waves of Hokkien and Teochiu immigrants, including Mr Banharn's father, arrived from southern Chinese provinces between the two world wars. Ethnic Chinese dominate the business community, political circles and the powerful media.

Members of the Democrat party, led by former prime minister Mr Chuan Leekpai, of Hokkien origin, claimed in parliament that while Mr Banharn says he was born in Thailand in 1932, immigration documents in their possession showed his father did not arrive there until 1937, when Mr Banharn was five.

Only Thai-born nationals are allowed to be members of parliament. Interior Ministry officials say Mr Banharn's original birth certificate is "missing".

Few Chinese feel under threat by the tenor of the allegations. "We aren't highly excited or uncomfortable about all this," said Ms Netra Ruthaiyonont, managing director of Sing Sian Yit Pao Daily News.

One of three Chinese-language papers edited in Bangkok, it published the allegations yesterday. "This is a legal issue, not a racial one," she added.

مكبرة من الاصل

Brittan sets tough line for WTO

By Guy de Jonquières in Dublin

Sir Leon Brittan, Europe's trade commissioner, yesterday claimed he had broad political backing for an "aggressive" EU approach to December's World Trade Organisation ministerial conference, which he hoped would lay the groundwork for a new trade liberalisation round.

Speaking after an informal meeting of EU trade ministers in Dublin, he said: "There was a clear orientation on the part of ministers that Europe should take a positive forward line, that Europe should take the lead. It seems to me a very fundamental watershed that we have passed today."

But a statement issued by the ministers after their talks struck a more cautious note, apparently reflecting still unresolved differences. It avoided committing the EU to any specific positions at the WTO conference in Singapore, saying these had still to be decided by the Council of Ministers.

Mr Renato Ruggiero, WTO director-general, also sought to rein in expectations about how much the Singapore meeting would achieve. He said it would be an important event in the WTO's working life, but would not do "extraordinary new things".

Sir Leon said the conference should not simply review implementation of the Uruguay Round world deal and reaffirm the WTO's existing agenda, but should aim to agree a "global package" and a work programme designed to prepare for the launch of a new trade round before the end of the century.

He also hoped the WTO ministers could agree in Singapore plans to liberalise trade in information technology and make progress in relaunched WTO negotiations on telecommunications liberalisation, due for completion by mid-February. He hoped the EU would improve its offer in the telecommunications talks, which the US has criticised as inadequate.

But Sir Leon said the EU would not approve an IT agreement unless Europe's chipmakers were allowed to participate fully in a semi-conductor industry council planned by the US and Japan.

Though the EU ministers avoided open disagreements on controversial issues, notably whether the WTO should discuss trade and labour rights, there were clear differences between them on priorities for Singapore.

Most northern member states broadly supported an activist approach, possibly including accelerated tariff-cutting, and Germany said the EU had a "unique chance" to take the lead in shaping world trade policy. But France, Belgium, Ireland and most south European governments expressed reservations about moving ahead too rapidly.

They also differed in the priority they gave to introducing into the WTO new issues, such as the relations between trade and the environment, investment and competition policy. But a clash was avoided over labour standards after Britain and France, which represent the extremes in the debate, both took low-key positions on the issue.

WTO chief Renato Ruggiero at yesterday's talks: nothing extraordinary — Joe St Leger, Irish Times

Brussels 'arena for open skies debate'

By Michael Skapinker, Aerospace Correspondent

The European Commission, rather than the UK government, was the appropriate authority to negotiate over the right of foreign airlines to compete in the US domestic market, Mr Gerald Greenwald, chairman of United Airlines of the US, said in London yesterday.

The UK government's insistence on raising the issue suggested Britain did not want an "open skies" agreement with the US, he added. Negotiations on a liberalised aviation agreement between the UK and the US broke down earlier this year because of disagreements over opening the US market and over access to London's Heathrow airport.

The US has made the conclusion of an open skies agreement a pre-condition for approving the planned alliance between British Airways and American Airlines, announced in June.

The British government has said US airlines should not have the right to fly to third countries from the UK while foreign airlines are not allowed to carry passengers within the US (known as "cabotage") or own more than 25 per cent of a US airline. The US has rejected this view.

Mr Robert Crandall, chairman of American, said this week there was no prospect that the UK would persuade the US government to change its mind. Mr Greenwald said that while the Commission was the appropriate body to negotiate on these matters, progress would be difficult. "US unions are crazed over the cabotage issue," he added.

> 'If Branson thinks he can swim with the sharks, more power to him'

Mr Greenwald dismissed plans by Mr Richard Branson, chairman of Virgin Atlantic, to enter the US domestic market but added: "If he thinks he can swim with the sharks, I say more power to him."

Mr Greenwald also attacked the proposed BA-American tie-up, saying it would not be an alliance but a monopoly because of its dominant position on UK-US routes.

"It would be irresponsible for US regulators to approve the BA-American request in its current form," he declared. The proposed alliance is being investigated by the UK Office of Fair Trading, expected to pass its recommendation to the UK government later this month.

Industry executives believe that the OFT is likely to advise against referring the deal to the Monopolies and Mergers Commission and to propose that BA and American give up some of their Heathrow slots instead.

Mr Crandall said earlier this week he would not be prepared to surrender Heathrow slots to United. Mr Greenwald said, however, this was an issue to be decided by regulators rather than by American or BA.

WORLD TRADE NEWS DIGEST

Australia and NZ in air pact

Australia and New Zealand yesterday agreed to create a single aviation market between them from November 1. The decision will open A$5bn (US$4bn) of annual aviation business in both countries to their four main domestic and international airlines, Qantas, Ansett Australia, Ansett New Zealand and Air New Zealand. The two countries also indicated they would now negotiate so-called beyond rights – travel involving third countries – for the four airlines involved.

The agreement will remove a system of complex regulations which have restricted flights within and between the countries. The single aviation announcement came almost two years after a similar deal was quashed at the last minute by the previous Australian government.

At the time, the government did not wish to risk reducing the value of the region's dominant airline, Qantas, which it was planning to privatise.

Yesterday's joint announcement said the single aviation market (SAM) would form part of the broader Closer Economic Relations agreement between the two countries. *Bruce Jacques, Sydney*

China in mobile phone pact

China and Singapore have signed an agreement enabling cellular phone subscribers to the Global System for Mobile Communications (GSM) system to use their mobile phones in each other's countries, the first such agreement reached by China Telecom with a foreign country.

China Telecom established automatic roaming service links with Hong Kong Telecom in July. Subscribers in China and Singapore will have automatic access to the GSM roaming service.

China began introducing the advanced GSM system last year and has linked 15 major Chinese cities and provinces into the new network.

Business and tourist traffic between China and Singapore is booming with a total of about 500,000 visits either way in 1995. China's phone penetration rate is still relatively low and access to international phone lines is sometimes difficult, prompting a boom in cellular phones. At the end of August 1995, China had 5.6m cellular phone subscribers, including 890,000 GSM subscribers. Beijing alone has 150,000 GSM subscribers and this figure is expected to rise to 250,000 when the new network is completed at the end of the year. *Tony Walker, Beijing*

Japan in EU cassette row

Japan says it is considering complaining to the World Trade Organisation if the European Union continues to block adoption of an 18-month-old Gatt dispute panel report on audio cassettes.

Officials said the issue was likely to be raised bilaterally at next week's meeting in Seattle of trade ministers of the Quad group – the US, EU, Japan and Canada – and would be brought to the WTO's inaugural ministerial meeting in Singapore in December if there was no resolution before then. The panel ruled that the EU violated Gatt's anti-dumping code by using "asymmetrical price comparisons" to calculate anti-dumping duties on Japanese audio cassettes.

Export prices were calculated after deducting indirect selling expenses such as advertising costs and then compared with domestic prices in Japan which included those costs.

Dumping is broadly defined as selling goods abroad more cheaply than at home. Brussels has since rescinded the duties but has refused to adopt the report on the grounds that it is now in the process of revising anti-dumping rules. *Frances Williams, Geneva*

■ Praxair of the US, the world's largest supplier of carbon dioxide, yesterday signed an agreement for the construction of an $8m carbon dioxide plant which will be the largest in China. The joint venture, with the Beijing Chemical Engineering Experimental Plant (BCEEP), is part of Praxair's plans for investment of $200m in China to produce industrial gases. Praxair already has projects in the capital and in Shanghai. Other schemes are under negotiation.

The venture, Praxair-BCEEP Carbon Dioxide, is designed to produce 32,000 tons of liquid carbon dioxide annually for the beverage, food, medical, textile, metal forming and fabrication, and environmental protection industries. *Tony Walker, Beijing*

■ Two consortia bidding for licences to install and operate a GSM mobile telephone network in Romania have announced their composition.

MobiFon comprises Telesystem International Wireless of Canada, Airtouch of the US, Logic Telecom of Romania, Posta Romana, the national post of Romania and ISAF, a Romanian engineering firm. The consortia are negotiating with other prospective members including SNCFR, the Romanian National Railroads Administration.

The second consortium, Mobil Rom, comprises France Telecom, Computer Land, Media Pro, Tomen Telecom Romania, a subsidiary of the Japanese Tomen group, and Alcatel Network Systems Romania.

The deadline for applications is September 26; there are four competing consortia for the two licences that will be awarded. *Alan Cane, London*

HANOVER TRUCK FAIR: *leading manufacturers vie for growing market*

Iveco hauls Spanish unit into safety

The Italian company's Enasa subsidiary is better placed to ride out a storm

Reports by Haig Simonian

If Iveco, the European commercial vehicles group owned by Fiat, had known what it was getting itself into when it bought Enasa, the loss-making Spanish state truck-manufacturer, it might have thought twice.

"It was not a gamble, but a calculated risk," says Mr Piero Bondesan, managing director of Enasa. "Only now is it starting to pay off."

Mr Bondesan's confidence is unshaken by the fact that the Spanish heavy truck market could be looking over the same precipice it faced in the early 1990s, when demand for heavy trucks plunged from more than 20,000 units in 1989 to fewer than 5,000 in 1993. In the first eight months of this year, heavy truck sales dropped 4.4 per cent compared with the same period in 1995.

Analysts are predicting a fall of about 12 per cent for the full year.

However, Mr Bondesan believes the group is much better placed to ride out any storm than in the early 1990s. Since taking over Enasa – better known as Pegaso, its brand – Iveco has overhauled products, manufacturing and marketing.

Pegaso's trucks have been axed in favour of Iveco's more modern vehicles. The Spanish company's refurbished Madrid factory is now Iveco's showcase.

It is the exclusive source for its EuroTrakker off-road vehicles and joint source (with Magirus-Deutz of Germany, another subsidiary) for its EuroTech medium-heavy range.

Such a recovery seems hard to imagine after the early 1990s. Iveco knew it was buying a company with a troubled past. For almost a year before tying the knot with Iveco in 1990, Enasa had been swarming with staff from Mercedes-Benz, which had been in purchase talks with the Spanish government. When Mercedes-Benz pulled out Iveco stepped in.

While the purchase price – believed to be Pta1.2bn ($9m) – may have been a bargain, Iveco knew it had a job on its hands. Although established in 1946 as Spain's national truck company, with a virtual domestic monopoly, Pegaso's advantages evaporated once trade barriers came down after Spain joined the European Union.

"If Enasa hadn't been rescued by someone to join a bigger group, it would have had no future," says Mr Bondesan, previously finance director of Iveco's joint venture with Ford in the UK.

Pegaso's former Troner heavy truck was "relatively good", he says, and even sported a modern cab developed with DAF, the Dutch-Belgian truck producer. However, the range was incomplete; Pegaso only built heavy trucks – its lighter vehicles being rebadged MANs and Volkswagens.

Pegaso's biggest disadvantage was its costs. Most of its components were made internally at a time when truckmakers were turning to cheaper specialists. Its relatively high level of internal production stemmed from the fact that, as a state company, it needed to find work for employees who could not be sacked.

Although annual output dropped below 5,000 units in 1991, the government was unwilling to sanction drastic cuts.

Worse, Pegaso's sales were concentrated on the home market when Spanish haulage companies were beginning to expand into Europe and looking for vehicles that had international sales and service to match.

Iveco had two priorities. It expanded sales and marketing by merging Pegaso's extensive dealer network with its own Spanish chain. Smaller outlets were closed in favour of bigger dealerships with more products and services. Although the dealer chain shrank from 137 in 1990 to 67 last year, sales increased fivefold.

The biggest efforts went toward rationalising production. Pegaso's outdated range was replaced with Iveco's more modern vehicles in a Pta122bn investment drive. While imports from Iveco's foreign plants increased, Pegaso was given sole or joint responsibility for other vehicles, leading to a surge in exports.

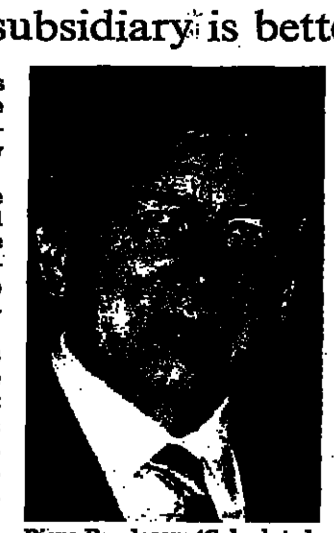
"What sustained us during the domestic crisis were exports, which now account for two-thirds of sales," Mr Bondesan says.

While Madrid continued making heavy trucks, Enasa's former military vehicle factory in Valladolid was converted to build Iveco's Daily vans. It now accounts for about a quarter of the group's European output. Enasa's Barcelona facilities were also reorganised: some now form part of a components joint venture with Germany's ZF, while others build buses.

The changes resulted in a sharp rise in productivity. In 1990, 5,400 employees built about 5,000 vehicles; by 1995, five times as many trucks were being turned out by 25 per cent fewer workers.

The changes have made Pegaso financially secure and turnover has more than doubled.

The recovery is not over. Pegaso's sales per employee have jumped but still lag behind Renault's Spanish truck subsidiary, Pegaso's closest competitor. Another round of early retirements for workers aged over 54, expected soon, may change matters. "Now we are a normal company," Mr Bondesan says. "I'm not saying we're beautiful, but at least we're normal."



Piero Bondesan: 'Calculated risk, not a gamble'

Iveco Pegaso

Sales (Pta bn)	1993	1994	1995
Export	37.2	65.9	96.7
[illegible]	[illegible]	[illegible]	[illegible]
Earnings			
Operating	(14.7)	[illegible]	[illegible]

	Spanish truck sales	Pegaso production
1992	39,405	6,723
[illegible]	[illegible]	[illegible]
1994	26,086	[illegible]

Trucks of 16t and above; Source: Iveco Pegaso

Mercedes-Benz to push ahead with new sites

Mercedes-Benz, the German vehicles group, will press ahead with the development of new production sites around the world to meet rising demand and secure its position as the world's biggest truckmaker.

"We will only be able to defend and expand our position as market leaders in trucks over six tonnes if we have a presence in the boom regions," said Mr Helmut Werner, chief executive.

"Wherever it makes sense, we will establish production capacity in the markets of south-east Asia and develop our value-creation base in Latin America."

The stress on foreign markets follows continuing dissatisfaction with the poor profitability at much of the company's high-cost German manufacturing base.

Mr Werner, speaking at the Hanover commercial vehicles show, said Mercedes-Benz had to improve its long-term profitability by expanding production in new markets and raising its domestic output.

Mercedes-Benz has already gained a lead over its rivals in China, where Mr Werner this week signed a deal to build buffers and coaches. Only days before, Freightliner, the group's US heavy truckmaker, announced plans to start building vehicles of more than 14 tonnes in China from mid-1997, making it the first US truckmaker to manufacture there.

In Argentina, Mercedes-Benz this month opened a new factory to build up to 15,000 Sprinter vans a year. In Poland, the company has started assembling the first of an estimated 4,000 Vito light vans at a local affiliate.

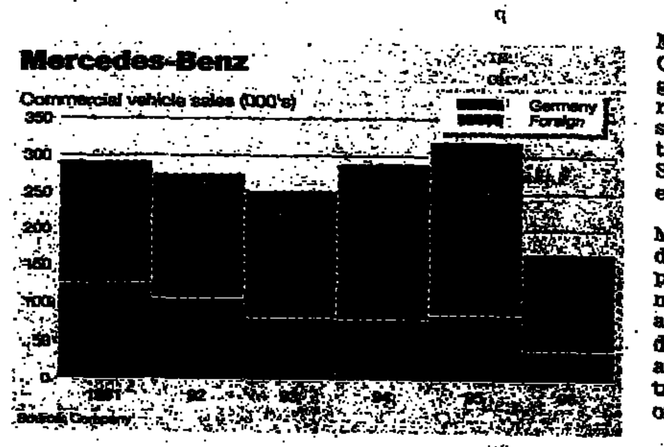
The group is also developing product links between its foreign offshoots to create vehicles based on shared components and greater economies of scale.

As a first step, Mercedes-Benz has set up an international engineering team at Freightliner to work on a new 3.5-9 tonne light truck for international markets. The concept involves plans for production in Asia, Europe and America.

The potential volume was 100,000 units a year, Mr Werner said. "This is the first time a concept has been developed for a modular vehicle on a worldwide scale."

Mercedes-Benz was heading for record commercial vehicle sales this year, "well in excess" of last year's 320,000 units. Registrations in the first eight months of 1996 rose by 6 per cent to 221,000 units.

Freightliner increased its share of the US heavy truck market to almost 30 per cent, a record. Its sales rose by 10 per cent. Mercedes-Benz registrations jumped 77 per cent in Argentina and 29 per cent in Mexico.



MAN looks east for sales

MAN Nutzfahrzeuge, the German trucks and buses group, is to use new factories in Turkey and Poland as springboards for sales into the countries of former Soviet central Asia and eastern Europe.

The group plans to use MANAS, the Turkish producer in which it has a 33 per cent stake and management control, for its attempts to expand into developing countries, such as Kazakhstan, where public transport is in urgent need of modernisation.

MANAS already produces a range of very heavy duty vehicles for developing countries, where buses work in difficult conditions and are frequently overcrowded, said Mr Klaus Schubert, MAN's engineering director. The design would also be available to other manufacturers under licence.

However, the company also hopes MANAS will be able to develop its sales into western Europe by diversifying into other products, such as luxury coaches.

Separately, MAN has just started construction of a plant at Poznan in Poland, which it hopes to develop as its spearhead for sales to central and eastern Europe. The new facility, which should begin assembling trucks in the second half of next year, will gradually move into buses and raise local content.

In time, it could also manufacture components as a part of a work-sharing arrangement with MAN's main facilities in Germany and Austria, Mr Schubert said.

Mr Rudolph Rupprecht, chief executive, said that the important UK, German and Austrian markets had developed more slowly in the year to June 1996 than those in the rest of Europe.

Mr Rupprecht also said MAN Nutzfahrzeuge wanted to expand in China, where it is represented only through licensing agreements for trucks and buses. "We are negotiating on a series of projects, including China, which could result in joint ventures," he said.

● Volvo of Sweden yesterday said it would introduce its new 7.5 tonne truck at the Hanover show. The truck, called the FLC, is aimed primarily at the UK and German markets.

The company said it hoped to take between 5 and 10 per cent of the European market for 7.5 tonne trucks. Volvo has seen its truck deliveries to European markets rise 7 per cent during the period from January to August, but in the US sales have fallen 38 per cent and in South America sales were down 44 per cent.

VW uses Spanish and Czech strengths

Volkswagen, Europe's biggest carmaker, is planning to use Seat and Skoda, its big Spanish and Czech subsidiaries, to underpin its goal of becoming the biggest maker of light commercial vehicles on the continent by the end of the century.

While VW accounts for about 9 per cent of world car production, it only accounts for 2 per cent of the world's commercial vehicles. By contrast, commercial vehicles are considerably more significant for rivals such as General Motors or Toyota.

VW last year split off its commercial vehicles activities into a free-standing operation as a "fifth brand" alongside its better-known four car marques.

"This is a big area which has been undervalued," said Mr Bernd Wiedemann, the division's chief executive. "We have a potential that hasn't been used." The attractions for VW have been reinforced by forecasts that world demand for commercial vehicles of up to 6 tonnes was "growing out of all proportion" to passenger car demand and was expected to reach 18.1m vehicles per year by 2000, he said.

Mr Wiedemann forecast the group would increase sales of commercial vehicles to about 450,000 units by 2000 from an estimated 386,000 this year. Sales in Europe, VW's prime market, are expected to reach 250,000 by 2000, compared with 156,000 in 1995 and a forecast 204,000 this year.

Although VW is best known for its vans in Europe, it produces a much wider range of vehicles elsewhere including heavy trucks in Brazil. Mr Wiedemann said output of vans and trucks in South America should reach about 110,000 units this year and about 27,000 in Taiwan, Mexico and South Africa.

Mr Wiedemann denied that VW, which in Europe only builds trucks of up to 10 tonnes, had any plans to expand into the heavy truck business in the region. He dismissed outright rumours of co-operation with Scania, the Swedish heavy truckmaker.

VW intends to achieve its growth with new models to replace previous weak spots in its commercial vehicle range. While VW's Transporter is market leader for midweight vehicles, the company is very weak in light city delivery vans and in heavier-duty vehicles.

To counter that, VW has recently introduced Caddy, a new Spanish-built light van based on Seat's compact Toledo saloon. In the heavier category, VW in June unveiled its new LT range. Mr Wiedemann said he expected LT sales to reach 40,000 units next year, accounting for about 10 per cent of European demand in that category. Sales of the Caddy, meanwhile, should climb to about 45,000 units next year from an estimated 24,000 in 1996.

Bonn misses IMF list on Internet

By Graham Bowley

Germany was yesterday the most glaring omission from the list of countries which have subscribed to the International Monetary Fund's new quality standard for economic statistics, unveiled yesterday at a special site on the Internet.

The IMF's electronic bulletin board showed that 34 industrial and developing countries currently subscribe to the data standards, which were drawn up to improve economic surveillance following Mexico's financial crisis at the end of 1994.

However, only 18 countries were able to supply information about their economic data which could be displayed immediately on the special Internet site maintained by the IMF.

These 18 countries among the first wave of subscribers were: Argentina, Canada, Denmark, Finland, Ireland, Italy, Malaysia, Mexico, the Netherlands, Norway, Peru, the Philippines, Singapore, Slovenia, Switzerland, Thailand, the UK and the US.

But details about the remaining 16 economies are expected to be posted on the site soon. These include: Austria, Belgium, Chile, Colombia, Croatia, France, Hungary, Iceland, Israel, Japan, Lithuania, Poland, South Africa, Sweden and Turkey.

Officials believe that the "embarrassment factor" of not being on the list will soon encourage other countries to sign up.

The IMF has drawn up standards for 17 categories of data which it believes should be met eventually by the 60 to 70 countries which have access to international financial markets. The standards cover the scope, frequency and timeliness of data, as well as its integrity, quality and availability to the public.

The Internet site carries only descriptions of the statistics provided by subscribers – "metadata" in the IMF's jargon – rather than the statistics themselves.

Officials believe that better and more timely information about Mexico's trade, debt and foreign exchange reserves might have allowed national authorities and international financial institutions to act quickly enough to avert the crisis.

But while Germany backed the data initiative at last year's Group of Seven summit in Canada, it has failed to make a firm commitment to the standard.

In particular, the German authorities failed to publish list of data release dates in advance, which is a key condition of the IMF standard.

The original formulation of the standard was so strict that no single country met all the requirements. Since then, however, the scheme has been modified.

The Internet address of the IMF's Dissemination Standards Bulletin Board is http://dsbb.imf.org

Clash over top UN job comes to a head

US opposition likely to thwart Boutros Ghali's ambition to stay on, writes Michael Littlejohns

Soon after being appointed secretary general, Mr Boutros Boutros Ghali is said to have remarked that anyone had to be cuckoo to want to work for the United Nations with all its problems.

Cuckoo or not, almost five years later he is desperate to hang on to the office, arguing that the UN needs continuity, that his own record is excellent and that he needs another five years to finish the job.

The US, however, is determined to thwart his ambition and it appears that the secretary general, who turns 74 in November, will have to go.

The question is expected to dominate private consultations among foreign ministers in New York in the next two or three weeks for the general assembly session.

Indignant that the US, by far the biggest delinquent among states that owe the UN $2.8bn, now presumed to rule on its leadership, many Third World members have rallied behind the beleaguered secretary general.

In Europe, opinion is divided. Britain appears willing to go along with the US; France is strongly pro-Boutros Ghali; Russia and Germany would allow him a new term.

The issue is not expected to go to the Security Council before the US elections on November 5. The secretary-general's backers cling to a belief that if President Bill Clinton wins he will relent. But just this week Ms Madeleine Albright, the UN delegate, again rejected any such idea.

"The administration will not change its mind," she said. "We are prepared to use our veto."

What the UN needed as it headed for a new millennium, she said, was not the world's number one statesman but a competent administrator to reform the bloated bureaucracy.

The incumbent's credentials were not enhanced on that score when, under third world pressure, on Tuesday he postponed the dismissal of 37 redundant staff.

Why Washington's disenchantment with him? Some officials say the defining moment was a tragic foul-up that cost the lives of 18 Americans and the wounding of 74 others during the US-led UN operation in Somalia in 1993. Bosnia and other perceived UN failures contributed to the negative record for which he was blamed – his defenders would say, made a scapegoat.

In May, Mr Warren Christopher the US secretary of state, offered "a dignified exit" – a one-year extention that would see Mr Boutros Ghali past his 75th birthday. In a response that some likened to the haggling traditions of the *souk*, the Egyptian diplomat proposed a half-term extension of two and a half years.

The rejected offer is no longer "on the table", the US says.

The UN charter makes no mention of a five-year term, although this has become the norm. Mr Trygve Lie of Norway, the first secretary general, was vetoed for a second term by the Soviet Union, but re-appointed by the General Assembly anyway. This action was seen as a clear contravention of the charter, which calls for a recommendation by the Security Council, and eventually he had to step down.

The Swede Dag Hammarskjöld's second term was cut short tragically in 1961 while on a Congo peace mission.

With the UN virtually paralysed for weeks by Soviet arguments over the succession, U Thant emerged as the members' choice but only in an acting capacity and for one year.

With tempers cooled, the placid Burmese later was elected for five years retroactive from his initial appointment.

If a deadlock in the Security Council persists in the coming weeks, as appears quite likely, the UN may have to consider unorthodox measures once again.

Boutros Ghali: says the UN needs continuity, his record is excellent and he needs another five years to finish the job

Flow of capital to emerging markets slows

By Robert Chote, Economics Editor, in Washington

The flow of private capital into developing countries is likely to slow next year because of smaller short-term flows into Brazil and Thailand, less borrowing by Mexico and a narrowing in South Korea's current account deficit.

Private financial flows into emerging markets will slow from a record $224.8bn this year to around $207.7bn in 1997, according to the Washington-based Institute for International Finance, an umbrella group of financial institutions.

But the institute said that the slowdown in capital inflows should be seen as a sign of strength rather than weakness.

It predicted that next year's flows would show "less reliance on potentially volatile short-term flows and a greater proportion of external finance being equity and longer-term debt".

But the institute also warned that strong demand for emerging market assets had driven bond yields to relatively low levels in some countries.

"It will thus be increasingly important to monitor the market for signs of excess that might foreshadow an eventual correction," it said in its traditional report ahead of the annual meetings of the International Monetary Fund and the World Bank.

Capital flows will be used increasingly next year to offset widening current account deficits, rather than to boost central bank holdings of foreign exchange reserves.

The institute predicts that the emerging markets as a whole will run a $147.2bn current account deficit next year, up from $118.7bn in 1996. Economic growth in these countries next year will meanwhile hit a 13-year high of 5.5 per cent.

Mr Charles Dallara, managing director of the institute, said that new approaches would be needed to avoid and resolve financial crises in emerging markets in order to sustain these flows.

But he opposed the proposal by the Group of Ten industrial countries that the IMF should be more willing to lend to countries with unresolved arrears to private creditors.

"This could send the wrong signal to countries, raising problems of moral hazard and increasing the cost of capital for emerging markets," he said.

In spite of the decline expected in overall capital inflows next year, equity investment in emerging markets is expected to rise slightly to $111.6bn.

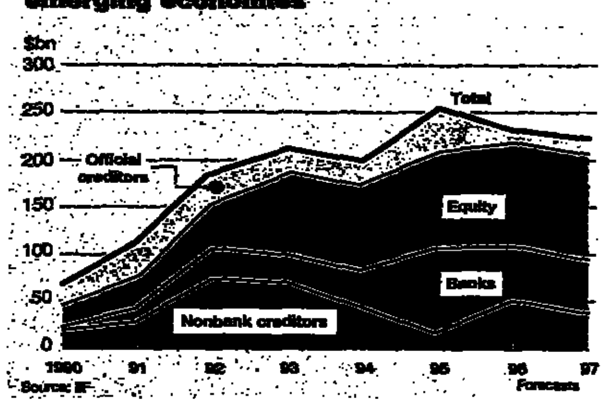
About 70 per cent of this investment is direct investment to take control of companies, with the rest accounted for by portfolio investment.

The institute argued that investors were seeking high yields in emerging markets as an alternative to the low interest rates offered in industrial countries and the uncertainties threatened by the valuation of their leading stock markets.

In Latin America, the lion's share of equity investment is captured by Brazil and Mexico. The Mercosur treaty and privatisation opportunities are expected to keep equity flows to the region at high levels. In Asia, direct investment is dominated by China, but India, Indonesia and Thailand are all expected to attract more investment this year than in 1995.

Net flows from official lenders – governments and international financial institutions – should have plunged to about $14.1bn this year, according to the institute. Official flows soared to $46.9bn last year because of the assistance provided to Mexico in the wake of its financial crisis. Official flows are expected to pick up to $17.8bn next year.

External financing to major emerging economies



IMF agrees to move to help poor nations

By Graham Bowley in London

The International Monetary Fund has agreed to put its concessional lending facility for poor countries on a permanent footing, but reached no decision on the proposal to sell $2bn of its $40bn gold reserves to finance the move.

However, Mr Robert Rubin, US Treasury secretary, said yesterday the US was continuing to seek an agreement on the gold sales, although it was not clear when an agreement would be reached.

After a meeting of the IMF's executive board late on Wednesday, Mr Michel Camdessus, IMF managing director, said the board had agreed to a "permanent continuation" of the IMF's enhanced structural adjustment facility (Esaf).

This means that poor countries will be able to refinance existing loans on concessional terms beyond the year 2000.

The decision was seen as a key requirement for the IMF's participation in the joint World Bank-IMF initiative to cut the debt owed to the multilateral institutions by certain highly-indebted countries.

Mr Camdessus gave no indication of any decision to finance the extension of Esaf by selling some of its gold reserves, a proposal supported by the US, UK and most other member countries.

Five countries – Germany, Switzerland, Italy, Austria and Finland – were understood to be holding out against gold sales, which require 85 per cent support in the board.

Opposition to gold sales has been led by Germany, which believes they would set a bad precedent and could undermine the IMF's financial security when it is lending heavily to Mexico and Russia. Speculation grew yesterday that the IMF's policy-making interim committee might take up the issue again on September 29.

Mr Rubin said gold sales would be needed "in the final analysis": "The real question, in our judgment, is when it's going to get done."

Mr Camdessus was understood to want to avoid an open split on the issue and was not expected to force a vote at Wednesday's meeting unless he believed gold sales would win the day.

The IMF could "now indicate... [it] is fully ready to assist its low-income members well into the next millennium," he added.

INTERNATIONAL NEWS DIGEST

Barzani pledge on US agents

Mr Massoud Barzani, leader of the Kurdistan Democratic party, has given Washington assurances of the safety of workers employed by US agencies in northern Iraq, his party said yesterday. Mr Barzani, who won virtual control of northern Iraq this month with help from Iraqi forces, met Mr Robert Pelletreau, US assistant secretary of state for Near Eastern affairs, in Ankara late on Wednesday.

Western diplomats said yesterday the meeting was "exploratory" and aimed at examining the new relationship between Mr Barzani and Iraqi President Saddam Hussein. Mr Barzani has said Iraq's military support was a one-off deal, a claim the US wants to test before Mr Barzani is made any promises. Given the widespread belief that Iraqi intelligence forces have infiltrated the KDP, and the conviction that they massacred members of the opposition Iraqi National Congress (INC), one confidence-building measure will be assuring the safety of remaining INC members as well as that of US agency workers. *Roula Khalaf, London*

● A first aircraft load of US troop reinforcements landed in Kuwait yesterday to boost an American military build-up aimed at deterring former occupier Iraq.

A civilian aircraft carrying more than 200 soldiers landed from Fort Hood, Texas, Captain Tim Raymond told reporters.

The troops from the US Army's 1st Cavalry Division were the first of 3,500 ordered to Kuwait at the weekend to strengthen a show of military might to help prevent any potential trouble from Mr Hussein.

Capt Raymond said that, under a well rehearsed procedure, the troops would immediately deploy at Adera Range, a desert exercise area about 40km from the Iraqi border. *Reuter, Kuwait City*

Afghan pipeline considered

The western developers of the main oil project in Azerbaijan are to be asked to consider an export route that would involve building a pipeline through Afghanistan.

Unocal, the US oil company and the third largest member of the Azerbaijan International Operating Company, wants its partners to study the feasibility of a pipeline route that would cross the Caspian Sea to Turkmenistan before turning south through Afghanistan and on to an Arabian Sea export port in Pakistan.

The other routes being considered by AIOC envisage a pipeline west towards the Mediterranean or north into the Russian oil export system. *Robert Corzine, London*

Move on Hebron troops

Israel and the Palestinian Authority have agreed to set up a special steering committee which will meet next week to discuss the long-delayed redeployment of Israeli troops from Hebron, officials said yesterday. But concern is increasing among Palestinians that Israel will try to change the terms of the redeployment as set out in last year's interim agreement on the West Bank and Gaza.

The establishment of the steering committee was decided after talks between Mr Yassir Arafat, president of the Palestinian authority, and Mr Yitzhak Mordechai, the Israeli defence minister. Separately, Mr Dennis Ross, the US special envoy, yesterday met Mr Benjamin Netanyahu, the Israeli prime minister, and other ministers to try to establish the precise intentions of the Likud government towards reviving the peace process.

The Israeli government said the redeployment of troops from Hebron was linked to security but the Palestinian Authority, particularly Mr Arafat, is concerned that any linkage might lead to a modification in the interim agreement. *Judy Dempsey, Jerusalem*

LEGAL NOTICES

NOTICE OF EXTRAORDINARY GENERAL MEETING
LEGAL & GENERAL GROUP Plc
(the "Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Legal & General Group Plc will be held at St. Monica's Training Centre, St. Monica's Road, Kingswood, Tadworth, Surrey KT20 6EU on Wednesday, 9 October 1996, at 9.30 a.m., for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

That, in accordance with Article 44 of the Company's Articles of Association:

(a) each of the 600,000,000 ordinary shares of 25p each in the capital of the Company, both issued and unissued, be sub-divided into 5 ordinary shares of 5p each; and

(b) following such sub-division, the 3,000,000,000 ordinary shares of 5p each in the capital of the Company, both issued and unissued, be consolidated and divided so as to become 1,500,000,000 ordinary shares of 10p each,

such sub-division, consolidation and division to take effect at 5.00 p.m. today, Wednesday, 9 October 1996.

By order of the Board
D.W. Binding, Esq.
Group Secretary
Legal & General Group Plc
Temple Court
11 Queen Victoria Street
London EC4N 4TP
20 September 1996

Important Notes

1. A member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.
2. Forms of proxy, duly completed and signed, together with any power of attorney or other authority under which they are signed must be lodged with Exchange Registrars Limited, 18 Park Place, Cardiff CF1 3PD, who became the Company's registrars on 9 August 1996, so as to arrive not later than 48 hours before the time appointed for the meeting.
3. Completion and return of forms of proxy will not preclude members from attending and voting at the meeting in person, should they so wish.

NOTICE TO BONDHOLDERS
LEGAL & GENERAL GROUP Plc
(the "Company")

£120,000,000 6¾ per cent. Convertible Subordinated Bonds Due 2008 (the "Bonds")

BONDHOLDERS ARE HEREBY NOTIFIED that the above resolution to re-organise the Company's issued and unissued share capital into ordinary shares of 10p each will be proposed at an Extraordinary General Meeting of the Company to be held on Wednesday, 9 October 1996. Copies of the circular to shareholders may be obtained from the Company at Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

20 September 1996

Britain drops cull and further damages its relations with rest of EU

Hopes over for end to beef ban

By George Parker in London and Caroline Southey in Brussels

The British government last night abandoned all hope of an early lifting of the European Union's ban on British beef when senior ministers ditched plans to cull more than 125,000 cattle deemed most at risk from mad cow disease.

The cull, reluctantly accepted by Britain at the EU summit Florence in June as a condition for lifting the ban, was dropped in the face of opposition from farmers, veterinary officials and MPs in the governing Conservative party. The British about-face will anger the UK's EU partners and further damage Britain's relations with the union.

"It will be seen as a slap in the face for the EU's leaders who went to great lengths to secure a face-saving compromise for Britain," one EU official said.

Britain is expected to press ahead with a limited cull of cattle thought to be theoretically at risk from contracting BSE – bovine spongiform encephalopathy – from infected mothers.

Mr Douglas Hogg, agriculture minister, last night privately informed Mr Franz Fischler, the EU agriculture commissioner, of the new proposals which may involve as few as 22,000 cattle. A public announcement is expected today.

The dramatic scaling down of the proposed selective cull turns government policy on its head, and leaves open the question of whether the EU ban on British beef exports will be lifted in the foreseeable future. The export trade was worth around £500m before the BSE crisis broke in the UK in March.

Ministers still hope that a limited removal of the ban can be achieved for specialist herds reared on grass – primarily in Scotland – and for animals in Northern Ireland.

Such was the government's determination to secure an early lifting of the full ban that it waged a controversial campaign of non-cooperation with the EU last spring.

The government's request for a regional lifting of the ban in Northern Ireland marks another reversal in British policy. Britain has previously refused to consider such an approach, in spite of approval in the European Commission. Senior government officials admitted last night the U-turn on the cull was politically damaging but the alternative was worse. "We could have tried to force the selective cull through parliament and still failed to get the ban lifted in Europe."

Mr David Heathcoat-Amory, the Eurosceptic former Treasury minister, said the government's decision was inevitable. "The ban will remain in place whatever we do – we should stop trying to hit a moving target."

European watchdog upholds tax claim

By George Graham, Banking Correspondent

The UK government faces claims for the repayment of more than £100m ($156m) after the European Commission of Human Rights ruled yesterday that it had denied three building societies their right to a fair hearing in court. Building societies are mutually owned savings and loans institutions.

The Commission upheld a complaint from the Leeds Permanent, Yorkshire and National & Provincial building societies that retrospective legislation in the British government's annual Budget statements in 1991 and 1992 had denied them access to justice over a claim that they had been taxed twice over.

The Halifax Building Society, which has now absorbed the Leeds, and Yorkshire said they would now pursue the case in the European Court of Human Rights with a claim for compensation. Abbey National, the bank which now owns N&P, said it would consider whether to continue.

The dispute began a decade ago, when the government changed the method for calculating the composite rate tax which is levied on bank and building society deposits. The change resulted in some societies being taxed twice over.

The Woolwich building society took the Inland Revenue to court and after four years of litigation won repayment of £68m plus interest. But the government riposted in the 1991 and 1992 Finance Acts with legislation that retrospectively blocked the claims of other societies to similar repayment.

That legislation blocked any further action in the UK courts but the Leeds, Yorkshire and N&P carried on, applying for a ruling that the UK had contravened the European Convention on Human Rights and Fundamental Freedoms.

UK NEWS DIGEST

BBC Internet plans advance

Mr Keith Todd, chief executive of ICL, the computer and computer services company, yesterday promised to put up "many millions of pounds" to develop BBC Online, a new commercial service for the Internet.

BBC Online would provide a general point of access to the Internet which means it will inevitably come into competition with other access providers such as AOL or CompuServe although the BBC hopes that its information will also be available through such access providers.

At a press conference called to confirm a new strategic relationship between ICL and BBC Worldwide, the commercial arm of the BBC, Mr Todd declined to say exactly how much the venture would cost. However, he said that a revenue-sharing deal had been agreed between the two organisations.

ICL is owned by Fujitsu, the Japanese information technology group, which has more than 2m subscribers to its own online service in Japan. *Raymond Snoddy*

■ ECONOMY

Industrial recovery 'subdued'

Demand for manufactured goods has recovered to the strongest level for 10 months but still remains weak, the Confederation of British Industry – the UK's largest employers' lobby – reports today.

The CBI's latest industrial trends survey, which paints a slightly weaker than expected picture of the manufacturing recovery, follows figures yesterday which showed money supply growth accelerated again last month, alongside a further steady recovery in the housing market.

The Bank of England – the UK central bank – said M4, the broad measure of the money supply, grew 9.4 per cent in the year to August. This took it back above the government's monitoring range of 3 per cent to 9 per cent following 9 per cent annual growth in July.

The acceleration reawakens fears that rapid monetary growth could be stoking inflation in the economy which may emerge in about 18 months. But the CBI survey showed that inflationary pressures in industry remain extremely subdued. *Graham Bowley and George Graham*

■ BANKING

Unions try to extend membership

Banking trade unions are trying to extend their membership away from town centre clearing banks and into the world of investment banking.

Organisers from the NatWest Staff Association, the largest union in National Westminster Bank, distributed recruitment leaflets yesterday outside the office of NatWest Markets, the group's investment banking arm, which does not recognise the union. *George Graham*

■ AIRPORT SERVICES

Handling unit to be closed

British Airways said yesterday that it was closing its unit that conducts ground handling for other airlines at London's Heathrow airport, with the loss of up to 750 jobs.

The closure of the unit follows the announcement earlier this week that BA would make 5,000 employees voluntarily redundant and replace them with a similar number of new staff skilled in languages and customer service.

BA said that the unit had made losses because of competition from other agents. The 750 staff would be offered voluntary redundancy or redeployment elsewhere in the airline. BA's ground handling for its own services is unaffected although the airline has said this could be contracted out if it fails to match the costs that could be achieved by anoutside supplier. *Michael Skapinker*

■ MAIL

Strike action postponed

The CWU mail workers' union yesterday called off strikes planned for this weekend after pressure from government and opposition politicians to ballot its members. The union refused to ask its 134,000 members whether they wanted to accept the Royal Mail's £100m pay and productivity deal but said it would ask members whether they were prepared to continue their long-running campaign of industrial action. *Andrew Bolger*

■ VENTURER OF THE YEAR AWARD

Contact lens maker wins

Mr Ronald Hamilton, chairman and managing director of Award, a contact lens manufacturer, was yesterday named this year's winner of the Venturer of the Year award. Sponsored by the Financial Times, Cartier the jewellers and the British Venture Capital Association, the award recognises the "achievements, vision and enterprise" of entrepreneurs.

Award, which is based in Scotland, pioneered new techniques for making disposable contact lenses and now accounts for 10 per cent of the UK contact lens market. The company was sold to Bausch and Lomb, the optical goods company that makes Ray-Bans, for £20m ($31.20m) in February this year. *Vanessa Houlder*

Maxwell's son 'accomplished liar' said judge

By John Mason, Law Courts correspondent

Mr Kevin Maxwell was an accomplished liar who helped misappropriate shares during the fraud perpetrated by his father Robert Maxwell, a High Court judge concluded in the 1993 judgment that was released yesterday.

Mr Justice Millett, the judge, said the fraud involved using stock in Berlitz, the language publisher, to raise money for his ailing business empire.

Mr Justice Buckley, the criminal court judge in charge of the second Maxwell trial which would have centred on the Berlitz affair, decided yesterday to stop proceedings on the basis that it would be unfair on the defendants to continue.

However, the verdict of the civil courts over Berlitz remains a serious indictment of the conduct of Mr Kevin Maxwell and others who have now escaped criminal prosecution over the issue.

The Berlitz judgment was given in December 1993 but restrictions were imposed on reporting the involvement of Mr Kevin Maxwell and other defendants in the criminal trial. These restrictions were lifted only yesterday.

The Berlitz fraud involved shares worth $137m that belonged to Macmillan, part of the publicly quoted Maxwell Communication Corporation, being used as security to obtain loans for the indebted private Maxwell empire. Banks were assured the shares belonged to the private companies rather than Macmillan.

In a nine-month civil trial in 1992 and 1993, Macmillan tried but failed to sue three banks which had taken the shares as security. Mr Justice Millett cleared Lehman Brothers, Credit Suisse and Swiss Volksbank of any blame in accepting the shares.

The judge castigated Robert Maxwell for being a fraudster who had misused the Berlitz shares and plundered the pension funds in an attempt to save his empire, the Robert Maxwell Group (RMG), from collapse.

He was also critical of those who were due to stand trial over the affair. Of these, Mr Kevin Maxwell and Mr Larry Trachtenberg, who both dealt with the banks, were the main participants in events, he said. Others, such as Mr Ian Maxwell and Mr Robert Bunn, played more peripheral roles, the judge said.

The fact that civil courts criticised Mr Kevin Maxwell and others does not mean their convictions in the criminal trial would have been a foregone conclusion.

In civil proceedings, the burden of proof is less, being based upon probability rather than beyond reasonable doubt. Verdicts are reached by a single judge rather than a jury.

Equally important, the defendants did not have the chance to mount robust defences in the way Mr Kevin Maxwell did in the first trial over the disappearance of pension fund assets. Had the second trial gone ahead, he would have argued that everyone, including the banks, had traditionally treated the Maxwell empire as "one group" where public and private companies had always used their assets to assist each other.

However, the judgment in the civil trial will now remain on the public record.

Ashley Ashwood

Jurors who acquitted Mr Kevin Maxwell (left) in his first trial backed his bid to have further proceedings stopped, he said yesterday. At a press conference with his brother Ian (right) after his second trial was called off, Mr Maxwell said three jurors had come to the court and offered him "tremendous support". He said the jurors were "outraged" that their verdicts had not been accepted. Their support had been "a phenomenal source of comfort".

Tilting train to be unveiled

By Charles Batchelor, Transport Correspondent

The international rolling stock manufacturer ABB-Daimler Benz Transportation (Adtranz), will today unveil details of a tilting train it is developing for the UK market.

Tilting trains, tried but abandoned by Britain's nationalised railway operator in the early 1980s, could make a return to the national network within the next two to three years following their successful introduction elsewhere in Europe.

Adtranz is developing a family of diesel and electric trains specifically for the UK, based on technology which has been applied on Swedish intercity trains and on regional services in Germany.

Several of the UK's newly privatised train-operating companies, including Great Western and InterCity East Coast, are reviewing the possibility of introducing these trains on their routes. Railtrack, which is preparing a £1bn ($1.56bn) upgrade of the west coast main line, is also considering proposals which would permit the use of tilt technology.

Tilting trains allow up to 30 per cent faster speeds through curves on existing track to permit significant reductions in journey times.

Tilting trains can run on existing lines – saving the need for expensive straightening of bends – although curves are provided with steeper cambers to allow faster speeds. The trains' wheels and underframe follow the camber and the bodyshell leans further into the curve.

Pro-Europeans and Eurosceptics make positions clear

Ministers seek Emu compromise

By John Kampfner, Chief Political Correspondent

British ministers last night attempted to shore up their compromise on European monetary union in the face of a new bout of in-fighting and pressure from Eurosceptics to rule out joining a single currency in 1999.

After two relatively crisis-free months for the Conservatives, the rift on Europe has again been highlighted by a letter to the Independent newspaper from six party "grandees" serving notice that the pro-Europeans would tolerate no further policy shift.

The letter stresses the importance of Britain's role in the European Union and says that "to rule out British membership of a single currency would be to betray our national interest". The six were Sir Leon Brittan, the EU trade commissioner; Sir Edward Heath, who as premier in 1973 took the UK into the European Community; Lord Carrington and Mr Douglas Hurd, former foreign secretaries; and Lord Howe and Lord Whitelaw, former deputy prime ministers.

However, senior party figures said the present line, forged after protracted negotiation between ministers in April, might be changed before the general election to reflect what they say is growing hostility to EU integration. Motions for next month's Conservative party conference, released yesterday, are predominantly anti-European.

Officials drafting the election manifesto have yet to address the Europe issue in depth. But one idea under consideration is to rule out participation in the first phase of monetary union, assuming it takes place in January 1999.

While that option is likely to please many MPs and constituency activists, it would be seen by Mr Kenneth Clarke, the chancellor of the exchequer, as a move too far.

In a letter to today's Independent, Mr John Redwood, the unsuccessful challenger for the Tory leadership last year, launches a barbed attack on the "grandees".

Mr Redwood calls on Tories to "reinforce" a warning by Mr Malcolm Rifkind, the foreign secretary, on Wednesday that monetary union would split the EU. "Now is time for Britain to show decisive leadership in Europe," Mr Redwood writes.

Mr Brian Mawhinney, the Conservative party chairman, said the cabinet was united behind the existing policy of deciding on a single currency at the appropriate time, but putting any agreement to a referendum.

Mr Mawhinney said Mr Rifkind's address had not signalled a shift in government position.

Colleagues of Mr Hurd said their letter had been "long in gestation" and written before Mr Rifkind's speech.

Mr Hurd said pro-Europeans would no longer worry about "rocking the boat".

He added: "They (the cabinet) are not going to rule out joining a single currency. They said that in public in April and though they are constantly being bullied to change their view, I am sure they will not do so."

The Confederation of British Industry – the country's main lobby of employers – yesterday called on companies to get to grips with new employment laws including the European Union working time directive, Stefan Wagstyl writes.

The CBI expected the UK government's challenge in the European Court of Justice to the EU directive to fail. British companies would therefore have to work to mitigate the costs and impact on services.

In practice the CBI believes the directive, which sets a limit of 48 hours on the working week, will not force British companies to make drastic changes because the legislation allows for exemptions. However, establishing such agreements could add to costs.

The directive comes into force under EU law in November but would not be implemented in the UK until the British government passed enabling legislation.

Nick Leeson's use of Account 88888 to subsidise his own trading profits and give Barings' customers favourable prices on futures and options was largely hidden from view. But there was one weakness in his deception. He was making daily requests to London for the cash he needed to place with Simex as collateral for losses on futures and options hidden in the five eights account.

This was causing a hole in the balance sheet of Baring Securities. The hole was first discovered in April 1993 when it stood at £10m, by Tony Hawes, treasurer of Baring Securities. Since Leeson had disguised Account 88888 as a customer account, he thought the gap simply reflected delays in claiming the cash from Barings' customers.

Throughout 1994, Hawes became increasingly worried at the lack of detail given by Leeson when he made his daily claims for cash collateral – known as margin calls. By September 1994, the gap in the balance sheet had reached £144m. The profits from his "switching" – fictitious arbitrage between identical contracts on the Osaka and Singapore exchanges – gave Leeson a ready excuse for demanding so much cash from London.

Hawes was conscientious and hard-working, but he was neither self-confident nor assertive. He was worried about the lack of detail in Leeson's demands for cash, but he lacked the authority to insist on a halt to Leeson's trading until his queries were sorted out. Ron Baker, head of derivatives trading, had much more clout. If Hawes's worries proved groundless, he feared that Baker would be merciless.

Danger signals ignored

Barings' bosses convinced themselves that Nick Leeson had discovered a risk-free way of making profits. They saw the stream of cash they were sending out to him as a deposit to secure this fortune. In today's extracts from their new book, FT reporters John Gapper and Nicholas Denton reveal taped conversations between Barings managers that show how – as Leeson's losses rose to levels that would break the bank – they persuaded themselves that all was well

On October 10 1994, Hawes met Leeson in London and asked him once more to explain the Simex margining rules. It was embarrassing to have to ask. It made Hawes feel stupid. Leeson appeared eager to help, although he made it clear that it was a little tiresome to have to keep rehearsing these details.

Ian Hopkins, the newly-appointed head of group treasury and risk, also had concerns about Leeson. Hopkins, who was 47, had formerly been head of trading at Barings' merchant banking arm and was one of its few senior managers who understood derivatives. He was worried that Leeson might be making money by breaking trading limits, having looked at data sent to London which seemed to show that Leeson had made one trade four times over his limit.

Hopkins kept pressing for information, but his inquiries were halted by some strange news: Leeson had gone on strike. Baker called to say Leeson was so upset by Hopkins' questions that he had stopped trading.

"Could you call him up and calm him down?" Baker asked.

Hopkins rang Singapore, and got through to Leeson. "I hear you're not trading," he said. "Oh, there is nothing happening, anyway," said Leeson reassuringly.

Hopkins told him not to worry. It was only a routine inquiry. They would sort it out soon by installing software to monitor when trades were made.

Hopkins did not regard the problem of Leeson's trading as exceptional. He had not been impressed by what he had found at Baring Securities. But he had difficulty persuading Peter Norris, chief executive of investment banking, to take his side. Hopkins had fallen out with several colleagues, and Norris regarded him as lazy and not a team player. Norris had an almost physical aversion to Hopkins, disliking the way he fiddled with his belt buckle.

Hopkins tried to persuade Norris to set up a committee at which managers could discuss concerns about internal controls. He wrote a memo arguing that the systems and control culture of Baring Securities, stockbroking arm of the group, were "distinctly flaky". Hopkins walked into Norris's office one evening in November 1994, bearing his memo. "Not another one," Norris said with a groan, as he started to read. The idea of another committee did not appeal and he quickly dismissed the suggestion.

By the start of 1995, when Leeson returned to Singapore after a holiday, he was in severe trouble. Although he appeared to have made most of Barings' £41m of derivatives trading profits – nearly a fifth of its entire operating profits for 1994 – he had hidden a loss of about £200m in Account 88888. The account was £50m in loss, and also contained options with an unrealised deficit of a further £150m. This £200m hole was the amount of Barings' money he had given away during the preceding two-and-half years (see diagram right).

On the weekend of January 14-15, he was teetering on the edge of disaster. The overwhelming risk in Account 88888 was from options Leeson had sold in the previous few months. He had sold straddles, which were pairs of options that brought him a lot of cash, but lost money if the Nikkei 225 index, or Japanese Government Bonds (JGBs) either rose or fell significantly.

There were 55,000 options in the five eights account, which was a risk equivalent to holding £1.8bn of shares. The strike price of the options averaged out at a Nikkei index level of 19,200, which meant they were at their most valuable when the index was at that point. On Friday January 13, the index had been more or less there, closing at 19,240 and the five eights account had actually made a profit of £20m in the first two weeks of 1995.

Leeson's last illusion of prosperity was shattered rudely on Tuesday morning. At 5.46am, an earthquake measuring 7.2 on the Richter scale erupted under the island of Awajishima, 60 miles off Kobe, the Japanese port city – the worst Japanese earthquake since 1923. Leeson was woken by Danny Argyropoulous, a Simex trader he was friendly with, with the news. Economists were rapidly forecasting that Japan could lose half a percentage point of growth in 1995. By Thursday the *index had dropped below 19,000.*

Leeson stepped into the nearby futures pit and started buying heavily. He had embarked on a desperate last effort to prop up the sagging Nikkei. On Thursday he bought 5,000 Nikkei futures, and backed up his bet by going short of JGB futures. The only way to escape now was to push the Nikkei back up. It made little difference to him how much of Barings' money he threw away in trying to do so.

BARINGS

"What happened today is that Nick doubled the size of the Simex position."

"It's bad."

"It's very bad. I really don't know how it happened."

Mary Walz to Ron Baker

The following Monday, the market opened 30 points up and drifted upwards for an hour. Then, just as his bets of the previous week seemed to be working, it crashed with frightening speed. The market's traditional volatility, in abeyance in recent months, had been revived by the earthquake. The Nikkei fell 1,175 points that day, inflicting a loss of £105m on Account 88888 in a single session.

Leeson covered his tracks. The following morning, Fernando Gueler, Barings' chief futures and options trader in Tokyo, heard Leeson's voice over the open phone line from Singapore.

"Hey, this is great, I've just made $1m at the open," Leeson said. He had done it, he said, by executing one side of a trade for a customer in Simex, but not covering it in Osaka until the market had moved down.

By the end of the day, he had reported his biggest ever day's profit from switching. Leeson had transferred enough cash from Account 88888 to report a profit of $3.3m on the day. By now, Gueler and his fellow traders in Tokyo were getting a little sick of Leeson's extraordinary ability to make large amounts apparently at will.

Leeson's bout of buying futures to retrieve the money lost as the market fell was finally setting off alarms in London. The Simex exchange had slowly caught up with the growth of futures in the five eights account following the Kobe earthquake. It sent Leeson automatic requests for more margin – or cash collateral. In response, Leeson's faxes to London calling for cash escalated to the point of stretching Barings' bank facilities.

At 4pm on Wednesday January 25, Hawes went to a meeting of the asset and liability committee (Alco) held daily in a glass-walled office off the fourth-floor trading room at Barings Securities' London office. He broke the news that Leeson had demanded so much margin that it would have gone over Barings' borrowing limit with Citibank in Singapore, had there not been an error in booking another trade.

This was strong stuff for Alco, which had only been meeting since November. While Hopkins took charge of monitoring risk, Alco set overall trading policy. It was chaired by George Maclean, Ron Baker's direct boss. Members included Norris, Baker, Hawes and Hopkins. The mix was uneasy, given past rivalries and present tensions between its eight members. Norris liked meetings to be over in 20 minutes. "Looks fine to me," Norris would say briskly if there seemed any threat of delay. In contrast, Hopkins liked to think things over at length. That afternoon, the meeting was peaceful, since only Richard Katz, head of equity trading, and Geoffrey Broadhurst, finance director, were around to hear Hawes' concerns.

Norris was not there, but Broadhurst decided that the problem was so serious that after the meeting he accompanied Hawes to Norris's office to discuss it there. Norris absorbed the news, and realised Leeson had to be prevented from overstretching the banking lines. He thought the best person to ensure that was done was Baker, who was visiting New York. Norris called Baker on a mobile phone from his train home.

Norris told Baker that Leeson's trading had to be cut. Baker got the message, although he was annoyed by the funding difficulties. His frustration with Hawes had increased in the previous two months, and he was now getting to boiling point. Baker had taken to referring to him as "Forrest Gump", after the *idiot savant* hero in a recently-released Hollywood film.

Late that night, Baker phoned Gueler in Tokyo. "We must reduce these positions," he said. Gueler told Baker that Leeson had already reduced his trading, referring to Leeson's JGB futures which appeared to have fallen slightly that day.

By 7.30am New York time the next day – January 26 – Baker was in Baring Securities' New York office, calling Sajeed Sacranie, Norris's assistant, in London. This call was recorded – standard practice at Baring Securities to resolve disagreements among traders.

"We made a lot of money on cash-futures [arbitrage], and Nick had an amazing day on Simex," Baker said. "The thing is, that you try to describe how that money was made. There's a mesh of volumes in the market ... which was sort of a perfect trading environment for Nick to work in."

"Huge liquidity and gaps." Sacranie prompted.

"Yeah. The trading size was huge. For example, at the opening bell, Daiwa would have bought 50,000 Simex contracts, and Merrill Lynch would have followed with a similar order. In addition, Baring Singapore was the market. I mean, he just has a corner there. So everybody wants Nick to do their business," said Baker.

"Right," said Sacranie.

"In terms of the size of the orders, and in terms of the opportunities you were seeing, it was just one of those, you know, sort of great days, and he's just absolutely the centre, in the vortex of the information curve there," said Baker, warming to his favourite theme.

"Phenomenal," said Sacranie.

But Sacranie knew that large profits could signal risks. "Are you comfortable that he didn't take any specific or directional risk during that day?" he asked.

"I trust the guy a fair bit. It's really hard for me to say. I think he – I think he just sees opportunities that are phenomenal, and he just takes them." Baker said.

Then Baker called Gueler at home. It was just before midnight in Tokyo, and Gueler was about to go to sleep. "Can you hold on one second?" Gueler asked.

"You're just putting your coke spread away, Fernando?" Baker asked jokily.

"What?" replied a surprised Gueler, who did not take cocaine.

Baker asked him about trading in Singapore and Tokyo that day. "What's your total P&L [profit and loss]," he asked.

"Total P&L, over three and half million dollars," said Gueler.

"And how much of that did Nick make?" Baker asked.

Gueler was now sick of being the poor cousin of Leeson. "Nick was about two point seven, two point eight, if that. Without Nick today in Tokyo, we made $250,000," he said proudly.

"That's fantastic, Fernando," Baker said.

"Yeah, and yesterday in Tokyo, we made about a million," Gueler went on enthusiastically.

Baker called Sacranie back to give him some more details.

"We made three and a half million out there. Two and a half million on Simex and about $800,000 in Tokyo," he said.

"This is just one man?" Sacranie said, incredulously.

"Not really. I think that's another simplification. I think if you take away what he's made, we had a pretty good month in Tokyo. The books in total made about $15m month-to-date, of which he would have made about $12m or $13m," he said.

"Brilliant," said Sacranie.

Baker was finally put through to Norris to discuss the problems that Hawes seemed to be having in funding Leeson's trading.

"I'm not happy about the strain they're putting on our funding position ... A two per cent move in the market on the Simex end would blow straight through available funding, and safety," Norris said.

Baker thought Leeson ought not to be constrained in this way.

"I think it would be a mistake for us to not be able to tolerate a 5 per cent move," he said.

Baker and Norris talked over the fact that Leeson now *apparently had 15,000 futures contracts* matched between Osaka and Simex. "Nick, I would guess, in order to be sensible, should come down from 15,000 to seven and a half," Norris said. "What I'd like to see [is] a couple of days with those positions half where *they* are now, and maybe we can work out what we need to do about this." Norris decided to discuss Leeson's trading at length at Thursday's Alco meeting.

By later that evening, Leeson was once more spoiling this plan. Having put 10,000 futures into Account 88888, he doubled this bet again, amassing 27,200 futures. It was such a large position that it started rumours flying among banks in Asia.

On the morning of Thursday January 27 in New York, Baker was greeted by a crisis. Leeson's overnight call for funding had escalated further, and the Osaka Securities Exchange figures showed he had increased the number of Nikkei futures Baring Futures held. Norris wondered aloud if Baker and Walz were deliberately defying him.

"Do you think these guys are just pushing the envelope?" he asked Sacranie.

By late morning in London, Mary Walz was facing hard questions about what was going on from Hawes and Norris. She was worn out by the time Baker called her from New York.

"What's happened today? You've got the Forrest Gump all over you," said Baker.

"I do. I really do. A lot of children under my roof," Walz said, wearily.

They shared some gripes about Hawes. "He freaks people out," said Baker.

"He doesn't give comfort," said Walz. "No," said Baker.

"When I left the office, we were talking about his concern over the JGB position and how its gotten so big ... and I said 'Look, we'll do whatever we need to do,'" Walz said.

They talked about how Broadhurst and Hawes were worried about Leeson's funding.

"We have to watch it, but it doesn't help to have a bumbling dickhead running around giving us ... signals about what might be *going to happen,*" replied Baker.

"That's absolutely right. But what happened today is that Nick doubled the size of the Simex position," Walz said.

"It's bad," Baker said. "It's *very bad,"* said Walz *grimly.*

"I really don't know how it happened," she added, "Nick and I had spoken about how he was going to be cool ... and then there was a flurry of activity on Wednesday."

She described being told off by Norris.

"I talked to Hawes again. I told him to get absolutely clear what he needed ... And Tony, like a bumbling idiot, probably focused in on the JGB thing. So Norris called me today and he said 'Frankly, Mary, I'm not amused,'" she said.

Walz pondered whether Leeson had broken his trading limit of 200 Nikkei futures.

"What I don't want to do is give an ambiguous signal to Nick here about the business. It just pisses me off. There ought to be rules, and we need to know what they are, but we cannot tell the guy: 'Cut your position,'" Baker said.

"He is in an unfortunate position, though, because he is settlement, he is cash management and he is the trader, and there's a problem, because there's nobody else to call but him about it," said Walz.

"Yeah," Baker said.

Almost in passing, Walz put her finger on the truth underlying all the confusion.

"And this is the other thing that I said to Nick, that the rumour about us is that we are the customer ... Hawes said that was what he heard people in the market saying, so I told Nick," she said.

Soon after that, Baker called Walz back to re-assure her that the atmosphere – and Norris – were cooling down. The only remaining hurdle was the Alco meeting, due to be held at 4pm London time on January 27. Baker was present by telephone from New York, his voice transmitted on the speaker phone in the middle of the desk. The telephone link meant the meeting was recorded.

"I'll lead off," said Norris, taking the lead as confidently as ever. "Just some basic points ... There's a very unusual business opportunity here at the moment, and I think we should want to back that, or take advantage to what the hilt is ..." Norris had been told by Walz that Barings now had 32,000 short Nikkei futures on Simex, which was 29 per cent of the total. This was supposed to be matched by 16,000 long futures on Osaka, where each futures contract was double the size.

"Thirty-two against 16, which is two-and-a-half billion [dollars] on the line," Norris said briskly. "How much of that is client, and how much of that is house. Do you know?" Baker replied from New York that all 8,000 contracts *of two days before had belonged* to Barings.

"How much margin do we have posted?" asked Norris.

"About £300m," said Baker.

Norris pointed out that Osaka would require £500m more in *funding.*

"So are you saying that all the businesses combined are using a billion pounds?" Baker asked.

"I think that's what I'm saying. I'm not saying it with a huge amount of confidence ..." Norris *said.*

The conversation drifted on, with Baker only able to hear snatches of it because the microphone on the table in London was not picking much up. After 45 minutes, they decided that the *funding was* solid enough to allow Leeson to hold the futures he had. The minutes of the meeting recorded that Leeson was to be instructed not to increase the position, and "look for opportunities" to cut it.

The following evening, Friday January 28, Walz caught up with Leeson by phone to ask what was preventing him cutting the Nikkei postions. Leeson said it was hard: the two exchanges would react differently to a big selling order. Afterwards, Walz *spoke* again to Baker in another recorded telephone call. "What did Nick say?" asked Baker.

"Its pretty tough, actually, to get through the paranoia thing for him ... it's like 'If I had to go out and over a couple of days get rid of all the positions, and I did it, and the market was crashing, that would be the worst case scenario,'" Walz reported.

Leeson had estimated that Barings could lose $1m by selling rapidly, and repeated his explanation that it would make the Simex market fall faster than Osaka. "The market in Singapore is one that almost always overreacts, which is what it's done all the way along, which is why he makes the money ..." Walz explained.

Baker and Walz worried away at details of Leeson's explanation, becoming ever more confused. "I think we kind of go along a stumbling path, where we look at one thing at a time, and I think the dynamics are more complicated than that," Walz said.

They tried to work out a way that Leeson could sell the positions, but got nowhere.

"All this work just drives me nutty. I just want to retire," Baker said.

"In all of this, I think I want to just understand this a bit more with Nick ..." said Walz.

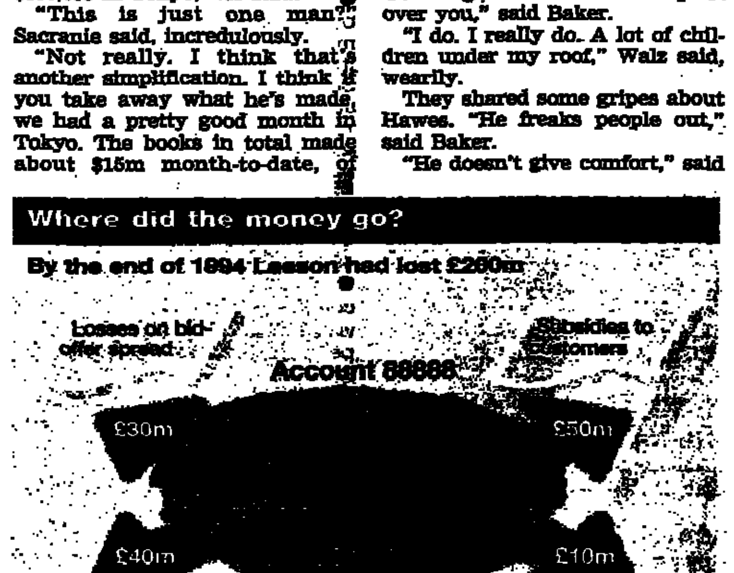
"Is he still around?" asked Baker. "Yes," said Walz. "Call him back," Baker said.

After an hour, Baker rang Walz again to see if the deadlock had eased. "How did things go with Nick?" he asked.

"I called him, and he didn't call me back, so I don't know," Walz said.

Leeson had gone home for the weekend, evading the interrogators around him. The bank was less than a month from collapse.

TOMORROW: The conversation that ***might*** **have saved Barings**



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Dracula bites back

Clement Crisp admires Christopher Gable's new ballet

Over the past decade, Christopher Gable has brought into being – as director or choreographer – a series of full-evening productions for his Northern Ballet Theatre, the subjects ranging from the Brontë Sisters to a chain-saw attack on *Swan Lake*. These have all explored a form of drama-as-dance which seeks to communicate very directly, and perhaps rather crudely, with a public who may be supposed to mistrust "ballet" as elitist or a bit too mauve round the edges for nice, ordinary people. Gable's own career as a golden young dancer, then as a sensitive actor, has predisposed him to this view, and it is one which he has pursued with determination.

Purist that I am, I have not admired the majority of his stagings, a fact he probably takes as guarantee that he is on the right track. He may be thrown by the fact that I think his new *Dracula* (seen in Bradford for the first time this week) is successful, cracking good theatre, and as chilling and flesh-crawling as one can wish.

The staging starts with the advantage of very fine design by Lez Brotherston (NBT's favoured decorator): a permanent set, which can become Dracula's castle or a Whitby hotel or a crypt or a sanatorium, allows for a fluid and hallucinatory production, admirably lit by Paul Pyant.

Gable has found an essence of the tale, and he stresses the erotic nature of vampirism and the implacable force of its evil genius. Far more potently than in the Hammer Studio romps, or even in Bela Lugosi's appearances (like a Victorian opera-goer on the prowl for a good Mimi), Denis Malinkine, who is NBT's fang-barer, conveys the omnipresent nastiness of the Count and his power. The sexual charge behind his feelings – the attacks on both Jonathan and Mina Harker are tantamount to rape – gives an added ferocity to what is a brilliant and brilliantly achieved interpretation. Blood-lust lives up to its double identity. The closing scene, when Dracula takes Mina to Carfax Abbey for the consummation of his desires, and is (shall we say) then staked out, is tremendously done, with every theatrical trick dazzlingly pulled, dry ice and crucifixes to the fore.

The staging, which is in three acts, has its problems. Chief of these is the scene in a Whitby hotel which begins the second act. Here NBT is seen at its worst, with a horde of characters – guests, maids, a Japanese ill-disguised as Buffalo Bill – acting their little heads off. Never was such mugging and mouthing, and the serving of a cup of tea becomes so vivacious that you fear for the scenery. "Don't do something; just stand there!" should be the director's cry.

The choreography, by Gable and Michael Barrett-Pink is rather blank, though efficient, save in Dracula's final assault on Mina, when a debt to *Mayerling*'s last great duet ought to be paid.

There is a commissioned score from Philip Feeney which does its job well. It is replete with "atmosphere", mad cries, weird knockings, as well as some potent string-writing for Mina's last act soliloquy. The company goes at it all hammer, tongs and sharpened stakes, and Jayne Regan gives Mina a strong and attractive identity, while Omar Gordon's stalwart Jonathan seems a little overwhelmed by the room-service at Schloss Dracula. There is also a splendidly twitchy Renfield from Jeremy Kerridge.

It is good to see NBT's ideals and abilities so well focused in this new work. I am not sure if it is best suited for the tots, though: the best of the action can set the nerves on edge, and one should not ask for more from *Dracula*. And for connoisseurs of the ludicrous, a newspaper placard in the first scene announces *Oscar Wilde released*. Ah, history, what a madcap you are!

At the Alhambra Theatre, Bradford, sponsored by Halifax Building Society. It tours this autumn to Hull, Nottingham, Edinburgh, Sheffield, Blackpool.

Erotic vampirism: Denis Malinkine as Dracula and Jayne Regan as Mina

Leeds Piano Competition

Fingers flexed for the final

At Leeds, the semi-finals of the International Piano Competition have just ended. This year they were transferred back to the Great Hall of the University: less room for an audience than the Town Hall, where the finals are due tonight and tomorrow, but far better acoustics.

After 17-year-old Sa Chen's precociously brilliant performance of Chopin's B minor Sonata, we heard it twice more in the semi-finals. Aleksandar Madzar (from Yugoslavia-as-was, 28) delivered it earnestly and literally, treating it as a rubato-free zone; in his slow – *very* slow – movement, the audience fell to re-reading their programmes, and jurors whispered.

To be fair, that was partly because it was the last work in six hours of music on Wednesday; Madzar had prefaced it with sedulous, scrupulously coloured accounts of Berio's "Six Encores" and Debussy's twelve *Etudes*. Too much of a muchness; but his self-effacing commitment was never in doubt. Ekaterina Apekisheva (Israel, 29) attacked the sonata quite differently, barnstorming her way through it with horrid proficiency. Every point was underlined and inflated, at the cost of all the meaningful details that make this sonata the fragile masterpiece that it is.

I found that scarifyingly vulgar. But I was already prejudiced by her choice of a vacuously noisy Shchedrin number earlier, and her efficient surface-readings of a dozen preludes from Shostakovich's op. 34, deaf to their sour ironies. Her early Schubert was quite nice. As for Finghin Collins (Ireland, 19), who offered some sprightly Bach and sweetly charming John Field followed by some gluey Chopin, pallid Skryabin, faint Alban Berg and a very plain, very innocent reading of Chopin's second book of *Etudes* – well, it defied belief that 74 other competitors had really been judged inferior to him.

Though Ilya Itin (29) has transferred his studies from Russia to America, he has not fallen between two schools (as his compatriot Dmitri Teterin seems to have done: Russian passion cowed, without any compensating gain in American forthrightness). Itin remains staunchly Russian. That served him very well in Prokofiev's 8th Sonata and Chopin's great Barcarolle. Not so well in the latter's op. 30 mazurkas, which he made indistinguishable from mere waltzes; nor in the visionary Polonaise-Fantaisie, which became indecipherably diffuse without its crucial polonaise-rhythm.

The jury has awarded Itin the special Contemporary Music Prize, on the strength of his Messiaen "Baiser de l'enfant Jésus". Yes, he played it lovingly; but he also played down the agonised harmonies that fix its essential character, and shortened the last, uneventful beat in every bar – thus sacrificing the unearthly steadiness which defines Messiaen's piety. By contrast, Shai Wosner (Israel, 20) offered four other pieces from the *Vingt Regards* in superbly uncompromised style. Also Beethoven's "Hammerklavier" Sonata, taken heroically close to the composer's fearsome tempi: the clarity Wosner achieved, and his thoughtful, utterly gripping progress through the slow movement, marked him as an artist to follow keenly.

Roberto Cominati (Italy, 26) is another: already he is something like a master-pianist, as he demonstrated (in his unabashed Italian-extrovert way) in Schumann's *Carnaval*, some arcane Debussy and Rakhmaninov's 2nd Sonata. Cominati, Itin, Sa Chen, Apekisheva, Madzar and Armen Babakhanian are the chosen finalists. See and hear them on BBC2 tonight and tomorrow, or listen to Radio 3.

David Murray

Fin-de-siècle art swopped at the Tate and the National

The National Gallery and the Tate Gallery are putting their houses in order and taking part in a far-reaching swop of their collections, writes Antony Thorncroft. In effect the Tate Gallery is handing over to the National over 60 paintings by artists whose careers peaked in the 19th century while the National Gallery gives the Tate 15 works by leading early 20th century artists.

The imminent arrival in the year 2000 of the new Tate Gallery at Bankside, which will show 20th century art, offers the opportunity for the UK's not over-impressive holdings of late 19th and early 20th century art to be concentrated in two distinct museums.

The National Gallery will receive an important late Van Gogh, of the farm at Anvers painted in 1890, the year of his death, along with a much needed Tahitian painting by Gauguin, plus works by Pissarro, Sisley, Cézanne, Monet, Manet and many more. Not all the works are of top quality and some will go on display in the NG's lower gallery; but at last works by the leading artists of this period are gathered together in one spot.

The Tate receives 15 paintings from the National Gallery, including works by Picasso, Matisse, Klimt and Rodin. Certain artists such as Monet, whose artistic careers straddled 1900, will be split between the two, with the early works in the National and the later in the Tate. The Tate gets Monet's celebrated "Waterlilies", along with three late works by Renoir.

Seurat is another artist shared between the two galleries, with the Tate's sketch for his famous "Bathers" going to the National, which has the finished painting.

In future the National Gallery will concentrate on acquiring 19th-century art and the Tate will look after the 20th century. There will still be some overlaps but what used to be a bone of contention between the galleries has now been amicably settled between Neil MacGregor, director of the National, and Nick Serota of the Tate. In the first instance the paintings are on a four year loan from March 1997 but the arrangement seems certain to become a permanent fixture.

Opera

Bohème plugs the gaps

Running the Royal Opera is a bit like presenting the budget. Each year some poor soul has to stand in front of the prompt box and explain to the public that revenues have failed to meet their targets, the promised new productions will have to wait, and even the Italian tenors will have to do tighten their belts.

Perhaps the day will yet dawn when Kenneth Clarke announces a massive give-away of Puccini as the answer to the nation's budgetary problems. At Covent Garden that has been the regular stand-by for years. All this season's new productions have been cancelled except one, leaving gaping holes in the schedule which have been plugged as usual either with cost-effective Mozart or ever-popular Puccini. The season starts with 15 performances of *La Bohème*, followed by *Tosca* and *Turandot*, each doubly, or in the case of *Bohème* trebly or even quadruply, cast – plenty of choice, as long as it is Puccini.

The first two casts for *La Bohème* are already underway, and quite different in character they are too, despite being rehearsed with production line techniques that give both exactly the same moves. The saving grace in one is Leontina Vaduva, whose gentle fragility and delicately shaded singing embody Mimì without her having to apply any obvious art at all – a beacon of innocence amid a lot of coarse over-acting, which plays much of the opera for easy laughs.

Richard Leech as Rodolfo has bright top notes, but when the music asks for poetry, the best he can offer is hard and tense singing, worried by an unappealing vibrato. Jason Howard's easily-produced baritone is welcome in the role of Marcello and he keeps a rather dour profile in the company of his boisterous Bohemian friends. Alan Held as Colline and Roderick Earle as Schaunard. Cynthia Lawrence made a brazen Musetta and in Benoit's brief part Frank Egerton shouted his way through (why a tenor in a bass role anyway?). It is an achievement on the part of the conductor, Jan Latham-Koenig, that he managed to hold such a motley crew together and with a certain orchestral flamboyance to boot.

The other cast showed admirable self-restraint in downplaying the worst of the comedy, only to be rewarded by a glum audience on Tuesday. But at least Elizabeth Futral's playful Musetta and William Shimell's schizophrenic Marcello, outwardly exhibitionist, inwardly troubled, can content themselves with knowing that they began to create an interesting relationship. Paul Whelan tended to oversing as Schaunard, but Ildebrando D'Arcangelo put his fine, young Italian bass to good service as Colline. Christian Badea was the more sober conductor of the two, neither did the music any harm.

His pair of young lovers – Amanda Roocroft and Luis Lima – also worked better together. Roocroft sings with care and musicianship, but her soprano is too healthy for Mimì, broad where it should be slim, stable where it should be fragile, and although she does not exactly sound too English, she does not sound Italian at all. In contrast, Lima's tenor is the right kind, despite some shallow patches when he is singing quietly, and his Rodolfo was poetic and considerate, really quite touching. There is enough mileage for one decent cast of *La Bohème* here. Having two or three looks decidedly optimistic.

Richard Fairman

Further performances with changes of cast until October 14.

Memorial concert at Covent Garden

Riccardo Muti, music director of La Scala, will conduct a special concert at the Royal Opera House next month in memory of Simon Weinstock, who died earlier this year at the age of 44. Muti, a close friend of the Weinstock family, will conduct the Philharmonia orchestra with soprano Barbara Frittoli and mezzo soprano Anna Caterina Antonacci at the concert on Friday, October 4 at 3.15pm. Tickets are available to friends, family and colleagues, from Lord Weinstock's GEC office.

Concert/Andrew Clark

Introspective cello

The London Symphony Orchestra, under its principal conductor Sir Colin Davis, opened its new season at the Barbican on Wednesday with the first performance of Colin Matthews's Second Cello Concerto, played by Mstislav Rostropovich. As the orchestra's associate composer, Matthews has enjoyed a string of high-profile premieres, including *Memorial* during the LSO's Festival of Britten in 1993. The conductor on that occasion was Rostropovich, who was sufficiently impressed to suggest the new concerto.

It is not the virtuoso vehicle which the Russian cellist might have hoped for, nor is it like anything we have come to expect from Matthews, whose recent works have been cast in a tough, gritty vein. Instead, Matthews has reinvented himself with an exercise in dreamy contemplation. That he is not satisfied to sit back and work a familiar furrow is to be praised, but judging by the new concerto, meditation does not come naturally to him.

Cast in five movements and played without a break, the 25-minute work offers a more conventional balance between soloist and orchestra than Matthews's first concerto (1984), but refuses to indulge in drama or rhetoric. Its character comes from the soloist's sustained singing lines, echoed and coloured by selective orchestral groupings. These ruminative *sostenutos* dominate all but the central scherzo, in which the orchestra briefly assumes the principal voice and Matthews's dark, energetic style reasserts itself.

For the rest, the music meanders with little sense of development or resolution. The opening and closing movements are richly textured and introspective, exploring subtle harmonic progressions in a vein of almost Sibelian mystery – but without Sibelius's underlying sense of direction. The second and fourth movements, both bearing the title "Song without Text", are more cogently argued, the cello weaving a wistful, fragmentary tale with minimal accompaniment.

Rostropovich played with a studied elegance that highlighted the music's essential simplicity – but even he could not mask Matthews's lapses of inspiration, particularly at the close of the scherzo. The work might have been more successful if Matthews had employed a conventional fast-slow-fast structure. As it is, the mood is static and monosyllabic, hinting at ideas that are never followed up.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION

Rijksmuseum Tel: 31-20-6732121

● Nederlandse wapens uit Rusland: this exhibition features 17th century Dutch fire arms from the Imperial armoury at the Kremlin in Moscow. The weapons were given to the Russian tsars by the Dutch; to Sep 29

BALTIMORE

EXHIBITION

Baltimore Museum of Art Tel: 1-410-396-6300

● Andrew Wyeth: America's Painter: this exhibition features 50 works – all but one loaned by a single collector – by the American artist Andrew Wyeth. Included in the exhibition are still lifes, landscapes, portraits, nude figure studies, and interiors; from Sep 25 to Feb 16

BERLIN

CONCERT

Konzerthaus Tel: 49-30-203090

● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt, pianist Homero Francesch and mezzo-soprano Mette Ejsing perform works by Wagner. Part of the Berliner Festwochen; 8pm; Sep 26

● Staatskapelle Berlin: with conductor Hugh Wolff and pianist Bruno Leonardo Gelber perform works by Berlioz, Beethoven and Ravel; 8pm; Sep 24, 25

Philharmonie & Kammermusiksaal Tel: 49-30-2614383

● Guarneri Quartet: with viola-player Kim Kashkashian perform works by Brahms and Fauré; 8.30pm; Sep 25

OPERA

Komische Oper Tel: 49-30-202600

● Die Fledermaus: by J. Strauss. Conducted by Yakov Kreizberg and performed by the Komische Oper. Soloists include Dagmar Schellenberger, Tatjana Korovina, Günter Neumann and Klemens Slowioczek; 7.30pm; Sep 26

BIRMINGHAM

CONCERT

Symphony Hall Tel: 44-121-2002000

● City of Birmingham Orchestra: with conductor Sir Simon Rattle, soprano Elena Prokina and bass Michail Ryssov perform works by Bruckner and Shostakovich; 7.30pm; Sep 26

BRUSSELS

THEATRE

Koninklijke Vlaamse Schouwburg Tel: 32-2-2194944

● Les Paravents (The Screens): by Genet. Directed by Rik Hancké and performed by the Koninklijke Vlaamse Schouwburg (in Dutch). The cast includes Monique Kuijpers, Anja van Riet, Tom van Bauwel and Joeri Hancké; 8pm; Sep 26

CAMBRIDGE

EXHIBITION

Fitzwilliam Museum Tel: 44-1223-332900

● John Downman (1750-1824): 'Landscape, genre and portraits of "rank and fashion"': this exhibition includes a selection of John Downman's portrait drawings, studies of children and animals, and figure drawings. Also on display is a group of watercolour landscapes of Rome and its surrounding countryside, painted during Downman's visit to Italy in 1773-74; from Sep 24 to Jan 31

COLOGNE

CONCERT

Kölner Philharmonie Tel: 49-221-2040820

● Vogler Quartet: perform works by Haydn, Ligeti and Smetana; 8pm; Sep 25

COPENHAGEN

CONCERT

Tivoli Concert Hall Tel: 45-33 15 10 01

● Danish National Radio Symphony Orchestra: with conductor György Fischer and mezzo-soprano Cecilia Bartoli perform works by Mozart and Rossini; 8pm; Sep 26

HELSINKI

DANCE

Opera House Tel: 358-0-403021

● Don Quixote: a choreography by Patrice Bart after Petipa to music by Minkus, performed by the Finnish National Ballet. Soloists include Jessica Kellgren, Juha Kirjonen and Jorma Uotinen; 7pm; Sep 26

LEIPZIG

CONCERT

Gewandhaus zu Leipzig Tel: 49-341-12700

● Gewandhausorchester: with conductor Dmitri Kitajenko and violinist Isabelle van Keulen perform works by Lyadov, Shostakovich and Prokofiev; 8pm; Sep 26, 27

LONDON

CONCERT

St. John's, Smith Square Tel: 44-171-2221061

● Mass in B minor: by J.S. Bach. Performed by the King's Consort, the Tölzer Knabenchor and The Choir of the King's Consort with conductor Robert King. Soloists include tenor Anthony Rolfe-Johnson and bass David Wilson Johnson; 7.30pm; Sep 25

Wigmore Hall Tel: 44-171-9352141

● Lorraine McAslan and Nigel Clayton: the violinist and pianist perform works by Dohnányi, Walton and Rózsa; 7.30pm; Sep 24

EXHIBITION

National Gallery Tel: 44-171-7472885

● Now we are 64: Peter Blake at the National Gallery: in August 1994, Peter Blake became the third National Gallery Associate Artist with a brief to produce works inspired by the paintings in the Gallery's collection. This exhibition features works created or completed by Blake while at the Gallery. Included are his series of paintings "Madonna of Venice", showing contemporary Californian scenes that include images of the Virgin and Child taken from paintings by Old Master painters such as Bellini and Correggio; from Sep 25 to Jan 5

NEW YORK

EXHIBITION

The Pierpont Morgan Library Tel: 1-212-685-0008

● Seeking the "Splendid Mystery". Presidential Races from Washington to Truman: this exhibition offers an overview of presidential elections in the United States from the time of George Washington to Harry S. Truman. Campaign pamphlets, broadsides, engravings and private letters of winners, losers, and observers document some high and low points in the history of American elections. The exhibition also traces the development of political parties, contested elections, and the expansion of the vote to African-Americans and women; to Jan 5

PARIS

OPERA

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99

● La Bohème: by Puccini. Conducted by Mark Elder and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Franco Farina, Franck Leguérinel and Nuccia Focile; 7.30pm; Sep 24

SAN FRANCISCO

CONCERT

Louise M. Davies Symphony Hall Tel: 1-415-864-6000

● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Webern, Mahler and Stravinsky; 8pm; Sep 25, 26 (2pm), 27

VIENNA

OPERA

Wiener Staatsoper Tel: 43-1-514442960

● Capriccio: by R. Strauss. Conducted by Peter Schneider and performed by the Wiener Staatsoper. Soloists include Felicity Lott, Margaretha Hintermeier and Peter Weber; 8pm; Sep 25

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Philip Stephens

Back in the race

Tony Blair's headstart may be curtailed as confidence in the Tories improves – but the contest is not won yet

Hard to believe, but it is possible to find British Conservatives in chipper mood. I am not just referring to John Major, whose inexplicable self-belief has long defied the chaos around him. Others are seeing a shaft of light through the darkness of the past four years. One or two of their number have been heard muttering (very discreetly, you understand) that the general election may not have been lost.

We should not get carried away. The rebuke to the party's Little Englanders delivered this week by the grandest of the Tory grandees reminds us that the dagger of Europe lurks ever behind the arras. As Lionel Barber explains on the facing page, the single currency cannot be wished away. There is plenty of Tory blood still to be spilled over the fate of sterling.

We have also been here before. Hard experience should have taught commentators that to speculate on a revival on Tory fortunes is to invite the party to plant the dagger in its breast. *I have been caught* more than once myself. Yet there has been a discernible change of mood among the political classes. It is worth exploring why.

The first answer comes in the latest figures for retail sales. After years of paying off their debts or painfully rebuilding their savings, the nation's consumers have started to spend again. Retail sales are growing faster than at any point since the late 1980s. It is not yet a boom, but it has the makings of one. Confidence can survive the rise in interest rates now being pressed ever harder on Kenneth Clarke by the Bank of England.

It is too much to expect that the electorate is yet prepared to give thanks to the government. Michael Heseltine's determinist belief in an unbreakable link between the thickness of the voters' wallets and their choice in the polling booth is neat in theory but less convincing in practice. Memories are not that short. And one presumes that Labour's so-far lacklustre advertising will soon begin to remind the voters of the odd broken promise. But the return of the feelgood factor is a start for Mr Major's government. It is harder to feel angry when you are spending *money*.

For much of the summer, the political debate has been on traditional Conservative ground: taxes, spending and the unions. Striking public-sector unions have been doing their best to get Mr Major re-elected. No doubt the postal workers are looking forward to privatisation. The spotlight is also beginning to turn on Labour's fiscal arithmetic.

When politicians pray morality in aid of a penny or three off the basic rate of income tax, some may wonder how deep is their acquaintance with the gospels. Others will speculate *as to which bits of the welfare state they will ransack* to find the cash. The only honest tax-cutter these days is the one who promises to take an axe to middle-class welfarism. But in the argument over taxing and spending there is palpable fraud on all sides. And, as long as the price is kept under wraps, the ambition of small government has a resonance among the voters.

> Not many admit they might return to the Tory fold. Not after what the government has done to them. But those convinced that Labour will win are falling

For once Tony Blair has been on the defensive. He has suffered the muddle over Scottish devolution. The newspapers have been full of Labour's messy falling-out with the *unions*. And then there has been the silly internal squabble about the sharpness of the *line between democratic* socialism and social democracy. Mr Blair knows where he stands, more so now that any point in his leadership. Too many of his colleagues, though, still prefer to position themselves a pace or two to the left.

Therein lies the opportunity for the Tories. New Labour, New Danger is not the most eloquent slogan for an advertising campaign. The demonic eyes which stare out from the party's less-than-subtle posters will offend the sensibilities of those who believe that voters should be treated as adults. But the *campaign distils* the government's most powerful – and probably its only – weapon: fear of change.

Mr Major's strategists also say (believe them or not as you will) that their private polling shows that the lustre has fallen from Mr Blair's image. They intend to build on the voters' doubts. I am told that the best, or rather the worst, of the Conservative offensive is still to come, that Labour's elaborate campaign computers will be driven to fatal overload.

It is hard to detect any of this in the headline figures from the opinion pollsters. Iron out the crazy disparities between individual polls and Mr Blair is still holding on to a lead of 15 points and more. At this point in the last parliament there was nothing between the two parties.

To which the Conservatives now respond that there is movement below the surface. Sure, not many voters are yet prepared to admit that they might return to the Tory fold. Not after what this government *has done to them. But the* numbers convinced that Labour will win are falling. The economic optimism *indicator is creeping back to* 1992 levels. Some are beginning to voice doubts about New Labour. That may *mark the start of the journey back.*

So what are the rest of us to make of this handful of straws? Most obviously it conveniently forgets Europe. Even if the government did not seem determined to make another hash of negotiations with its continental partners over mad cow disease, it is hard to see how Europe will not loom ever larger as the election approaches.

The chasm over a single currency cannot be bridged. A decision to rule out British participation would restore the supine loyalty of the once-Tory press. Mr *Major does not have that* option. It would break the cabinet and the party. The present, bitter truce is dangerously unstable. But the prime minister has not yet found an escape route.

There is a second caveat. Between now and the election large numbers of voters will undoubtedly return to the Tory fold. The party's support now stands at below 30 per cent. Even a rise to, say, 38 per cent would see Mr Blair secure a handsome majority. So the challenge for amateur psephologists during coming months will be to separate this inevitable churning from any deeper movements. Mr Major's view is that as long as he has momentum on his side, anything is possible. But the election is now a 100-metre race. And Mr Blair has a 50-metre headstart.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Translation may be available for letters written in the main international languages.

No airline likely to sell slots at Heathrow

From Mr Cyril D. Murphy.

The Lex column of September 17 on the British Airways/American Airlines alliance contained two erroneous conclusions.

Lex concludes that airlines "must be licking their lips" at the opportunity to sell slots to competitors of BA and American. BA and American now have 60 per cent of the peak transatlantic slots at Heathrow, and certainly have no intention of selling. United and its alliance partners, attempting to compete with BA and American by mounting our own network over London, will be in the market to buy, not sell. Virgin does not seem inclined to sell. British Midland has announced it won't sell. Where will these slots come from? Who are these carriers "licking their lips"?

Lex also concludes that requiring a divestiture of slots without payment is like requesting the divestiture of aircraft. Slots are not like aircraft. Presumably, BA pays for its aircraft (at least since privatisation), but it got its slots for free. Because most of the world's airlines over the past several decades have not been eligible to receive slots at Heathrow, it now holds the lion's share of those free slots. Its protection in recent years has created numerous windfalls for BA in the form of protected routes and high profits. Now it wants to ally with its biggest north Atlantic competitor, and be paid for doing it?

A better analogy for slots is that they are like routes. When BA allied with USAir, the latter was required to surrender its routes, which were then reallocated without compensation. Such divestiture is routinely required by regulatory authorities as a means of introducing competition when carriers propose actions that otherwise would restrict competition. Without a surrender of slots at Heathrow, *it is clear that the* BA/American alliance will reduce competition. The only question that remains is who should pay for the divestiture: the consumers or the carriers that are proposing to reduce competition?

Cyril D. Murphy,
vice-president, international affairs,
United Airlines,
PO Box 66100,
Chicago,
Illinois 60666, US

Compulsory pensions must benefit all

From Mr Harvey Cole.

Sir, If some form of virtually compulsory private pension scheme is to be introduced in the UK, it should avoid the extremes of being channelled either through National Savings or a separate fund for each individual.

The reasons for the former are obvious. But it would also be quite wrong to leave people to pick their own way through the minefield of conflicting schemes that would be offered by insurance companies and other financial institutions. Large variations in actual performance would continue, unfairly penalising those who, in *a state of* inevitable semi-ignorance, chose a fund producing below average results.

To avoid inequitable variations in outcome, any new scheme should be run by allotting proportions of the fund to professional managers on a tender basis linked to performance targets and subsequent success *in meeting these.*

That is the way in which most local-authority pension funds are already run, to the *benefit of both employees* and beneficiaries.

Harvey Cole,
chairman,
pension fund panel,
Hampshire County Council,
9 Clifton Road,
Winchester,
Hampshire SO22 5BP, UK

Uzbekistan not short of hard currency

From Mr Ronald Kennedie.

Sir, Your article "Uzbekistan hit by shortage of hard currency" (September 6) seems to give an unusually one-sided picture of the situation in the country.

Whereas indeed the demand for hard currency exceeds the supply of the same, the article ignores the fact that there have been dramatic improvements in the hard currency reserves of the country since 1994 and that the problems that may be faced by certain individual companies are more related to the allocation of hard currency based on priorities than a general shortage. A display of opinions by two companies, one of which has been operative in Uzbekistan for no more than six months, does not necessarily give one a full picture.

Significant abuse of the hard currency facilities by a substantial number of companies has lead to very stringent control on the allocation of hard currency. Unfortunately, this also hits those who acted in good faith.

The economy of Uzbekistan has been steadily growing and, with a very stable political and economic climate (proved by the fact that more than 2,000 foreign capital joint ventures have been registered in the country), offers an investment-protection climate second to none in the Commonwealth of Independent States.

Ronald Kennedie,
general counsel,
Fund Kamolot,
Ulitsa Navoi 11,
Tashkent, Uzbekistan

Unworthy use of such a symbol

From Mr Robert Dilworth.

Sir, While I applaud your publication of articles about the search for Nazi plunder ("Swiss banks face pressure over 'Nazi gold' claims", September 11 and "Tracking down the Nazi gold", September 13), I am compelled to question the Financial Times's judgment in placing a swastika in such a position of prominence as the middle of your newspaper's banner (September 13). Even after 50 years, the Nazi flag is an immensely powerful symbol of intolerance and hatred.

While I am certain that no offence was intended, this choice of illustration detracts from a journal of the highest calibre and, except in historical photographs, is not worthy of your pages. That it appeared on the eve of a Jewish holy day (Rosh Hashana) is even harder to comprehend.

Robert Dilworth,
308 West 103rd Street,
New York,
NY 10025, US

Europa · Dominique Moïsi

Caught up in the past

Mitterrand's obsession with history prevented him grasping the present

As France sinks into political and economic gloom, many are beginning to see the Mitterrand years as a period when the country was run with greater panache. Less than one year after his death, the former president hovers over France like the *commander's statue in Mozart's* Don Giovanni – though in political rather than moral terms. A myth is born.

One of the most important contributions so far to the myth-building has been Hubert Védrine's *Les Mondes de François Mitterrand*, published this month (Fayard, FFr189).

Mr Védrine, one of the closest, most faithful and most able members of the Mitterrand entourage, was also one of the most reserved. An important figure during both of the Mitterrand presidencies, he started as diplomatic adviser and ended as secretary general of the Elysée.

His book is an account – and a defence – of Mitterrand's views of the world with a crystal-clear thesis. This is that François Mitterrand, thanks to his deep grasp of history, proved to be the best helmsman France could have had to guide it at a turning-point for Europe and the world. Only Mitterrand the classicist could confront so well the challenge of modernity and globalisation.

The thesis is not completely convincing, but the book is a fascinating contribution to an understanding of Mitterrand's world. Anglo-Saxon readers can only be mesmerised by the intricacies of the president's "court" – *reminiscent of* that of Versailles so ably described by Saint-Simon.

The degree to which Mitterrand was able to make his mark on France was made possible by the absence of any serious parliamentary checks and balances. Under the Fifth Republic, France has become a remarkable elective monarchy which is *closer* in many ways to an absolute monarchy than a constitutional one.

Mitterrand: enjoyed more freedom than peers such as Kohl

This meant that Mitterrand had a free *hand in foreign* policy for 14 years – even during the cohabitation period when the right dominated the National Assembly and provided his prime ministers. Having no parliament to convince, no public opinion to seduce, the only restrictions on the president were those imposed by the international system.

Mitterrand thus enjoyed greater freedom than did those of his equally democratically elected peers such as *Margaret Thatcher*, Helmut Kohl, Ronald Reagan and George Bush. The successes of French diplomacy could be *attributed personally* to the president – but so could the failures.

Mr Védrine sees Mitterrand's *knowledge of the past* as his greatest strength. But his obsession with the past – especially the self-*destructive turmoil in* Europe through two world wars – was also his greatest weakness. Mastery of the *past reinforced his realism,* but also his deep cynicism and pessimism about human nature.

Such an attitude worked well during his first presidency when the cold war was still being waged. But it *clearly paralysed him during* his second mandate which began one year before the fall of the Berlin wall. His *obsession with history* meant he failed to grasp the significance of the irresistible unification of Germany or the disintegration of Yugoslavia. He remained convinced for too long that Germany would stay two and Yugoslavia *one*.

On Germany, Mitterrand's approach was ambiguous and he made a succession of *contradictory* statements. The sure, generous and enlightened European instinct would have been to *join Mr Kohl in Berlin* at the opening of the Brandenburg Gate in December 1989. It would have been a celebra*tion of the* victory of freedom and a new era for Europe, just as the two leaders had celebrated the clos*ing of past* rivalries at Verdun in 1986 on the 70th anniversary of the first world war.

On Yugoslavia, Mitterrand clung too long to the idea that the country's unity could be preserved. Such wishful thinking was reflected in his refusal to condemn the Serbs – France's historic allies – more than the other belligerents.

It is too early to predict what judgment history will make on Mitterrand. Two comparisons naturally spring to mind: one with his European contemporaries Baroness Thatcher and Mr Kohl; the other with the man he chose both as a role model and as his antithesis, General de Gaulle. Mitterrand does not emerge from either comparison as a clear winner.

Paradoxically, history may judge the European statesman of the era to have been Mr Kohl – the least sophisticated of the three leaders who dominated Europe in the 1980s. By successfully *facing the challenge of unification*, he turned himself from gifted politician to statesman.

Lady Thatcher *failed* to reconcile the UK with Europe, in spite of – or perhaps because of – the unique strength of her character. In fact, she widened the gap between Britain and Europe, slowing the process of establishing a more normal relationship.

Mitterrand wanted above all to reconcile the French to their past – even at the cost of moral compromise with some of the worst members of the wartime Vichy regime such as René Bousquet. But he *failed* to achieve reconciliation and at the end of his 14 years in the Elysée, France was more fragile and divided than ever.

It is here that the comparison with de Gaulle is most illuminating. History helped de Gaulle to project himself in to the future: for Mitterrand, it stopped him transcending the past. By the end of his time, the ambiguity, the ambivalence, the contradictions and the complexities of the man came between him and the achievement of his project.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. *He writes here in a personal capacity.*

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday September 20 1996

Fresh chance for Greece

Greece, whose citizens go to the polls on Sunday, is in more need than ever of a steady, competent hand at the tiller. Fear of fresh violence in Cyprus is running so high that Mr Glafcos Clerides, the president, had to make a formal statement this week assuring citizens the situation is under control. Both in Cyprus and in the Aegean, the risk exists of a sharp downturn in Greek-Turkish relations. But given imagination and courage, there is also potential for an easing of tension.

In domestic affairs, too, Greece stands at a crossroads. Under its next government, the country has a chance to convince its European Union partners that it seriously intends to rationalise its economy and join the EU mainstream. Otherwise, Greece could relegate itself to the margins of an expanding union, weighed down by the cheap populism and cronyism which have long infected its public life.

Both Pasok, the ruling Socialist party, and New Democracy, the right-of-centre opposition, are internally split between sincere advocates of political and economic reform and those who have dragged their feet. The parties are also divided between hardliners and moderates in foreign policy.

But on both counts, Mr Costas Simitis, the Socialist prime minister who took over in January from the turbulent Andreas Papandreou, emerges with a creditable record. During the Greek-Turkish naval showdown soon after he took office, his restraint helped avert bloodshed.

On the economic front, Mr Simitis has won the confidence of the business community through his efforts to reduce Greece's chronically high inflation and public-sector deficits – with the ambitious aim of qualifying the country for the second wave of entrants to a European economic and monetary union. His government has shown political courage in cracking down on tax evasion, and it has privatised a slice of the telecommunications utility.

By contrast, Mr Miltiades Evert, the conservative challenger, has succumbed to the populist temptation by accusing Mr Simitis of softness towards Turkey – and promising to reverse recent fiscal reforms.

On their track records, neither party offers any guarantee against backsliding into the economic profligacy and irresponsible foreign policy that have tarnished the country's image. So far, Mr Simitis has only made a start in reversing the damage inflicted by previous Greek governments – including the ones in which he served. But a clear electoral victory would give him a chance to pursue this Sisyphean task.

Son of Maxwell

The decision by a high court judge yesterday that Mr Kevin Maxwell should not face a second fraud trial will inevitably provoke calls for a re-examination of the way in which such complicated cases are pursued.

Mr Maxwell, former chairman of Maxwell Communication, was intimately involved in the running of the business empire of his crooked father, Robert.

After Robert Maxwell drowned in strange circumstances during a trip on his yacht, the empire collapsed, leaving a £440m hole in its pension funds and £4bn in debts. There was widespread public indignation and a strong desire to see the guilty punished. However, in the trial that followed Mr Kevin Maxwell, his brother Ian and Mr Larry Trachtenberg were all found not guilty by a unanimous verdict, of a jury which sat through 131 working days of accusations and rebuttal.

This was a public relations disaster for the Serious Fraud Office, which brought the charges. It now faces further ridicule for attempting to renew the prosecution with different but related charges and for failing to convince the judge that it was fair to do so.

Whatever one thinks of Mr Kevin Maxwell's role, the latest judgment is surely right. An earlier high court judgment on a separate civil case, released yesterday, concluded that he was a liar who helped to misappropriate the stock of Berlitz, one of the group's companies. However in the criminal trial, he was found to be innocent of all the crimes alleged, against him, presumably the ones for which the SFO thought it had the best evidence. It is a principle of British justice that nobody should be tried for the same crime twice. These were different charges, but not different enough.

It would be wrong to conclude from this and other spectacular failures, such as the Blue Arrow case, that the jury system is incompetent to deal with big fraud trials. Under present law, the authorities have a difficult task in reducing complex financial transactions to a common-sense case of fraud, but this is not impossible, as was shown in the Guinness and other less celebrated cases.

In notorious scandals, when the public is apt to leap to conclusions and bay for blood, the accused's rights are especially important. Juries must be presumed to know best. There is a case for research into whether they do in practice understand the legal niceties. However, if they choose to take a broader view, that is their right and their historic function.

If the balance is tilted too strongly against the authorities, the remedy should rather be to change the law, to make fraud an offence more susceptible to the kind of proof which ordinary people can understand.

Italian job

Two weeks ago, Olivetti's share price leapt in apparent relief when Mr Carlo De Benedetti resigned as the company's chairman. Yesterday, it leapt again in response to news that Mr De Benedetti was back in effective control of the troubled Italian technology group.

Puzzling? Only to those who thought Italy was beginning to obey the rules of Anglo-Saxon capitalism. In reality, the events of the past fortnight confirm how far big Italian companies still are from embracing the notions of shareholder value and corporate accountability.

It is a classic of *salotto* intrigue. Mr De Benedetti was ousted apparently under pressure from foreign institutional investors. They have loomed large on Olivetti's share register since its rescue by a rights issue last December. On Wednesday, amid deepening controversy about the group's half-year results, he joined forces with Mediobanca, the ubiquitous investment bank, to force out his opponent, Mr Francesco Caio, as chief executive. Meanwhile, the foreign institutions scrabbled for information about the true state of the business.

Several tentative lessons can be drawn. First, it can be dangerous to put one's faith in appearances. Investors who thought they had seen the back of Mr De Benedetti relied on his formal relinquishment of the role of chairman. They ignored the fact he was still *honorary* chairman – a title, incidentally, shared by Mr Gianni Agnelli at Fiat and the 88-year-old Mr Enrico Cuccia at Mediobanca. In Italy you do not have to show up regularly in the boardroom to exert decisive influence over a company's affairs.

Second, no one should underestimate the power and *amour propre* of the personalities that still dominate Italian big business. Nor do they flourish in a vacuum: in the absence of alternative ways of protecting their financial interests, Italian small shareholders still look to strong figures or families to steer many of their main companies.

Third, no substitute has yet evolved for the hidden networks of influence that permeate the country's private and public sectors. There have been frequent predictions, in particular, that Mediobanca's grip will weaken as transparent capital markets develop and rival centres of financial power emerge. So far, its power is intact, the competition fragmented, the capital markets opaque.

That seems likely to remain the case for as long as Italy does not have robustly independent investment institutions of its own. Until big pension funds arrive en masse and flex their muscles, the De Benedettis and Cuccias will continue to hold sway.

Mad dash for the line

European governments are pulling out all the stops to ensure they will not be left out of the monetary union, says Lionel Barber

Like exhausted marathon runners in sight of the finishing line, European Union governments are steeling themselves for a final spurt in the race toward economic and monetary union (Emu).

The next milestone is Dublin castle, where EU finance ministers and central bank governors gather tonight for two days of talks to clear away technical obstacles to the planned launch of the single currency – the euro – on January 1 1999.

The Dublin talks aim to reach broad agreement on managing budgetary and currency discipline among countries inside and outside the future euro area. If expectations are met, the meeting will reinforce the sense of inevitability about monetary union which has taken hold in financial markets – even if the political implications of the project remain contentious.

At first glance, the recent wave of optimism over Emu is hard to explain. Growth in Europe remains sluggish; unemployment is chronically high at nearly 20m.

Only three governments – Denmark, Ireland, and Luxembourg – meet the Maastricht treaty's targets for membership of the monetary union. The two toughest criteria – which require a member state's budget to be no more than 3 per cent of gross domestic product and its public debt to be less than 60 per cent – look as elusive as ever.

As growth has faltered, the assumption has been that political will alone is keeping Emu alive. According to this theory, France and Germany will struggle to meet the Maastricht targets in 1997, but Emu will go ahead because Bonn and Paris will insist on a generous interpretation of the treaty. Both propositions look flawed today.

The first surprise is that all 15 European governments are treating the 3 per cent budget deficit target seriously. This is true of Mr Helmut Kohl, the German chancellor, and Mr Jacques Chirac, the French president – the driving forces behind Emu. But other prime ministers such as Mr Jean-Luc Dehaene of Belgium, Mr Antonio Guterres of Portugal, and Mr José María Aznar of Spain have also staked their reputations on entering the monetary union with stringent cuts in their national budgets.

Germany – which unexpectedly breached the Maastricht budget deficit limit of 3 per cent in 1995 – has set the pace. Last week Mr Kohl's coalition government won parliamentary support for a package of spending cuts which aims to trim its deficit by DM70bn (£29.8bn) next year, or more than 1 per cent of GDP.

In Spain, the new centre-right government is looking to reduce the deficit from 5.8 per cent in 1995 to 4.4 per cent this year. If necessary there will be a public-sector wage freeze to achieve the 3 per cent limit next year. In Belgium, Mr Dehaene is putting the final touches to his austerity "budget of the century" – to be enforced if necessary by executive order.

The second surprise appeared this week when France unveiled its draft 1997 budget which trimmed the central government deficit by a mere FFr4bn (£500m). Yet it was accompanied by a forecast that next year's overall public deficit would be 3 per cent of national output. This will be achieved through a one-off payment of FFr37bn from France Télécom to the government covering future pensions liabilities – an amount equal to 0.5 per cent of GDP.

Such creative accountancy will focus attention increasingly on how to guarantee budgetary discipline after monetary union – the central issue at the Dublin meeting.

The first item on the agenda is the German-led plan for a "stability pact", a draconian set of sanctions against countries running excessive fiscal deficits once they have joined the single currency. As an opening gambit, Mr Theo Waigel, the tough German finance minister, pushed for automatic penalties against fiscal delinquents, preferably within six months of the original transgression. Sanctions would start with interest-free deposits leading to heavy fines up to 0.5 per cent of GDP.

Yet Mr Waigel appears isolated. Pressure is building for an extension of the penalty timetable to 12 months, with the onus on parliaments of member states to raise taxes or cut spending rather than EU finance ministers imperiously handing down fines in Brussels.

"People are only just coming to terms with what the stability pact really means," says an Irish official. "There is concern about the rights of sovereign parliaments. We are not yet in a federal Europe."

A central banker familiar with the discussion argues that the details of the stability pact are less important than the collective "solemn and binding" commitment to enforce fiscal discipline, reinforced by the sanction of watchful financial markets.

"The pact is like a torture chamber," he says. "The instruments are simply too horrible to apply. Once the victim sees them, that should be enough."

The second subject for discussion in Dublin concerns exchange rate relations between the elite grouping inside the single currency and those countries left outside. At a minimum, outsiders are likely to include the UK and Denmark which enjoy opt-outs from Emu under the Maastricht treaty. Italy and Sweden have signalled they cannot reach the 3 per cent budget deficit target in 1998. And Greece's economy is too weak to take the strain.

Spain and Portugal's chances of making the first wave look marginal. Finland's may be enhanced by its imminent application to join the exchange rate mechanism.

At a meeting at Verona last spring ministers agreed to create a new exchange rate mechanism. This would manage currency relations between the countries left out of the single currency, and also between these "outs" and the members of the monetary union. On British insistence, membership of the existing mechanism will not be a prerequisite for joining the single currency, and membership of the new mechanism will be voluntary.

Yet the Emu "outs" cannot expect to devalue at will. They will still be required to deliver macro-economic policies with precise targets to their peers in Brussels. The European Commission would like to strengthen these so-called convergence plans with some form of monitoring that would lead to pressure on governments to take corrective action when targets were missed.

Failure to do so would jeopardise support from the future European central bank in Frankfurt which seems certain to have the right to call for a realignment of exchange rates inside the new exchange rate mechanism, approved by finance ministers.

"If you want the European Bank to defend your currency, then you need to guarantee some discipline," says Mr Yves-Thibault de Silguy, EU commissioner for monetary affairs.

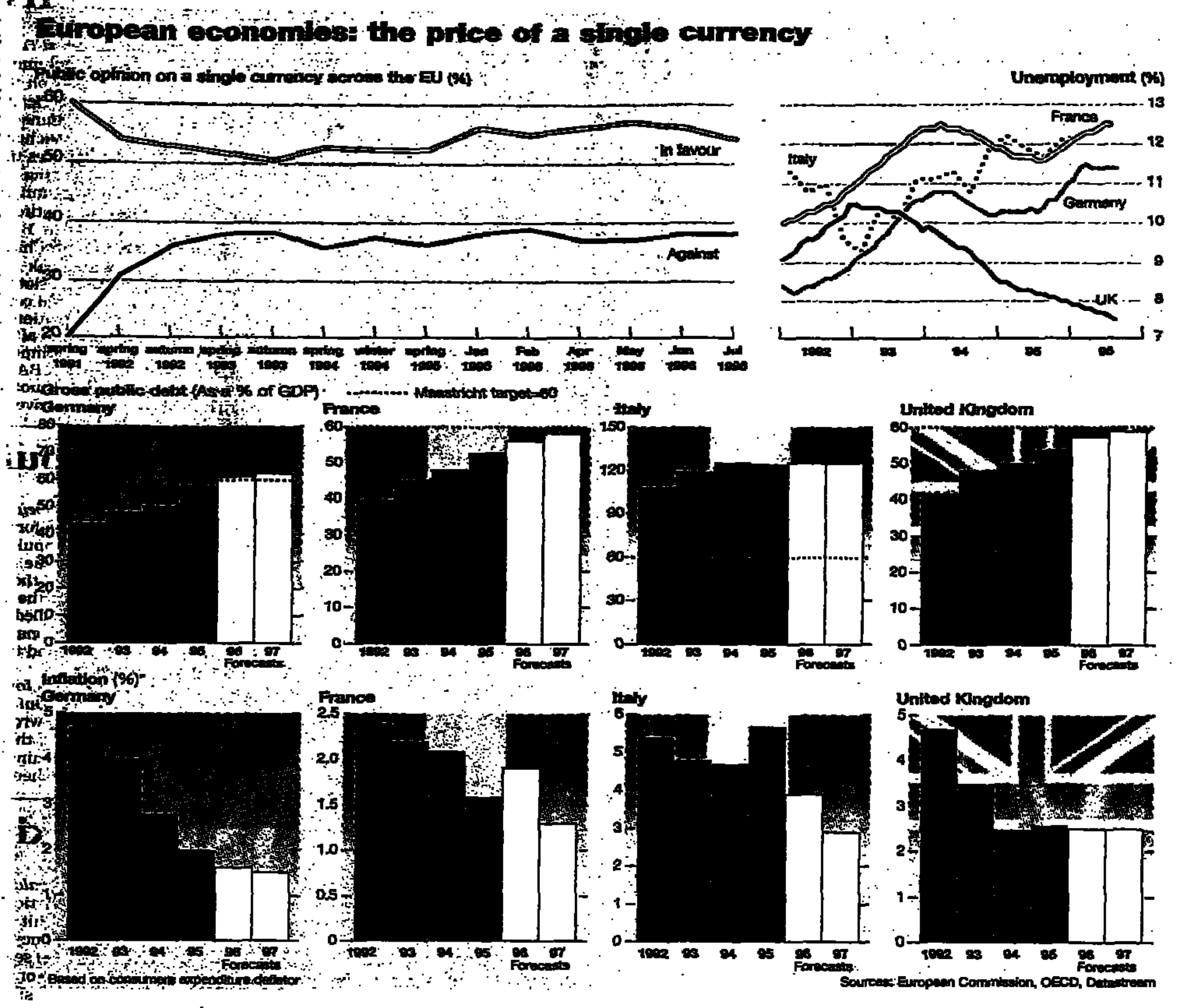
The final issue in Dublin concerns the legal status of the euro. Some insiders believe that this could prove contentious because it involves striking a balance between ensuring the credibility of the euro from January 1 1999 and the right of national currencies to circulate until mid-2002. Linked to this issue is the crucial question of continuity of business contracts in national currencies after monetary union.

Last year, EU governments agreed a compromise whereby all new public-sector debt would be issued in euros after 1999. But they left open what would happen to the stock of outstanding government bonds in coveted currencies such as the D-Mark. As monetary officials look at the issue more closely, the case for encouraging the use of the euro looks more attractive. "Three years is a very long time for the changeover," says a central banker. "There is a lot of scope for uncertainty and instability."

Accelerating the transition to Euro-notes and coins would be one the strongest possible signals that member states, notably Germany, are backing the single currency wholeheartedly. Reports that German banks and market traders are pressing the government to "redenominate" D-Mark bonds into euros also heighten the impression that the political commitment to the single currency is being taken up by Europe's banking and commercial sectors.

Yet it would be unwise to assume that Emu is a done deal. A sharp slowdown in growth could kill France's chances of meeting the Maastricht criteria, whatever the fudge. A dollar crisis could also upset the currency markets, and perhaps lead to another assault on the franc.

But the mood in Europe seems to be grim determination to meet the timetable for the single currency, whatever the short-term cost in unemployment or the political consequences. Europe's leaders, notably Mr Kohl, have simply invested too much in the single currency as a political project to let it slip away.



OBSERVER

Rough trade in Ireland

■ There was some unfortunate timing for Renato Ruggiero, head of the World Trade Organisation, when he arrived in Dublin this week. He touched down on the day that two foreign-owned local factories announced they were closing, citing fierce international competition.

But he might have handled a touch more tactfully the inevitable questions about what these ex-workers were supposed to make of his robust call for further global trade liberalisation.

Ruggiero said the workers' plight was a problem for the Irish government and the EU. The people of Ireland could, however, take comfort from a recent UN report, which found that free trade had helped 3bn people improve their standard of living in the past few decades. His mission, he said, was to open markets in these still further to imports from developing countries.

All of which is no doubt true. But hardly what the redundant Irish workers wanted to hear – particularly when the boss of one of the stricken firms, owned by Semperit, the German tyremaker, said it had been put out of business by low-cost producers in eastern Europe and the developing world.

And Europe arose

■ Zurich has done Winston Churchill proud, commemorating the 50th anniversary of the second world war leader's historic "let Europe arise" speech with a media blitz. It's also trotted out bigwigs such as Malcolm Rifkind, UK foreign secretary, and Mario Monti, the EU commissioner, trying (and failing) to make equally historic pronouncements.

Zurich probably felt it had to make amends for the last time, when Churchill was diverted from speaking in Bern, the Swiss capital, because the Swiss government was afraid he might upset the Russians.

Churchill then had a jelly good holiday, paid for by Swiss companies such as Nestlé, Sandoz, Swiss Re, Sulzer and Wander. On Wednesday the same companies took out a full-page ad in Neue Zürcher Zeitung, Switzerland's main financial newspaper, reminding everyone that they had brought Churchill to Zurich in the first place.

But not everyone was banging the drum. The newspaper Tages-Anzeiger, NZZ's downmarket rival, pointed out that two of those well-known names, Sulzer and Wander, were among 200 leading Swiss industrialists who in 1940 signed a petition demanding that the Swiss government should censor the press – because it was too critical of the Germans.

James swears in

■ Bill James's salty tongue and hearty disdain for corporate protocol have done him no harm in the rough-and-tumble mining world. The Canadian geologist made his name in the 1980s as chief executive of Falconbridge, the nickel miner, and has spent the past five years saving Denison Mines, once a big uranium and potash producer.

James, 67, is now set to kick butt at Inmet Mining, the Toronto-based copper and gold producer. Inmet, formerly Metall Mining, was the mining arm of Germany's Metallgesellschaft until it was spun off two years ago as part of MG's efforts to recover from its oil trading debacle.

But Inmet has floundered. Its Copper Range mine in Michigan has been plagued by environmental and technical problems, and it has struggled to find worthwhile new projects. The sliding copper price hasn't helped. Klaus Zeitler, chief executive since the MG days, left quietly, earlier this week.

James isn't saying what he has in mind for Inmet. It would be out of character however, if some fur didn't fly over the next few months, accompanied by a rich assortment of four-letter words.

Gloomy output

■ Just because they're out to get you, that's no reason to feel paranoid. A professor of psychology at Oslo's Norwegian College of Business has produced research that seems to suggest miserable people work far better than bumptious types who walk around with a permanent smile.

"We were surprised . . . we expected the opposite" says the egghead in question, Geir Kaufmann. Through a variety of test situations he found that cheerful people overestimate their own ability, underestimate the complexity of problems, and tend to opt for easy or obvious answers. On the other hand, less confident misanthropes look at things more deeply and tend to find far more creative solutions.

Not that he thinks employers should start painting workplaces black, with piped-in funereal muzak.

Indeed, Kaufmann says upbeat workers are better at many tasks, including group brainstorming sessions – you know, those things where everyone smiles a lot and nothing gets done.

The Financial Times

50 years ago

Europe losing U.S. Coal
Washington:- Coal hungry Europe is suffering a permanent loss of about 450,000 tons of United States coal for every week that the paralysing maritime strike continues, according to official American estimates. A spokesman for the U.S. Coal Committee, which allocates surplus American coal for export, said: "We are badly behind on the September allocation, which was nearly 2,000,000 tons, and the movement of coal overseas is less than negligible." In October, the allocation of coal for export to European countries and to adjacent North West Africa would nearly reach the 2,000,000 tons mark, beyond which no expansion appears possible. This means that shipments lost through the strike cannot be made up.

Franco-Argentinian Pact
The Hague:- As a first step towards the resumption of trade in American securities on the Amsterdam Stock Exchange, the Netherlands Bank announces that full certification by them of such securities will be possible from 21st September. A general licence will be granted for the transfer of securities to the United States on the condition that these securities will not be sold in the United States for at least one month after certification.

FINANCIAL TIMES
Friday September 20 1996

Judge calls off second Maxwell fraud trial

By John Mason and Robert Rice in London

The second fraud trial of Mr Kevin Maxwell, son of the disgraced media magnate Robert Maxwell who drowned off the Canaries almost five years ago, was yesterday called off when a UK High Court judge ruled that further prosecutions would be unfair and not in the public interest.

The ruling brings to an end all criminal charges confronting Mr Maxwell in the £4bn ($6.2bn) scandal, in which thousands of pensioners faced possible hardship after their savings were looted to shore up the Maxwell empire.

Evidence given by Mrs Pandora Maxwell, Kevin's wife, about the stress of criminal proceedings on the Maxwell family was an influential factor in the acquittal, the judge, Mr Justice Buckley, said.

"Her obvious distress was, I am convinced, entirely genuine," he said. "No one could have been unmoved by her evidence." In chaotic scenes outside the High Court in London afterwards, Mr Kevin Maxwell expressed relief that the four-year "nightmare" since his arrest was over. He expressed gratitude to the judge for his "humanity and common sense".

Mr Kevin Maxwell, along with Mr Larry Trachtenberg, Mr Albert Fuller and Mr Michael Stoney, other former Maxwell group directors, were all formally acquitted of fraud charges which involved a total of £150m. Mr Maxwell said his acquittal at the end of the first trial in January this year would now be accepted as the final verdict.

However, the end of criminal proceedings meant reporting restrictions were lifted on a damning judgment in a 1993 civil case over the ownership of shares in Berlitz, the language company, which would have been the subject of the second criminal trial involving Mr Maxwell, Mr Trachtenberg and Mr Fuller. Mr Stoney was to have faced a separate trial over an alleged £50m fraud on Mirror Group Newspapers. In a 640-page judgment delivered in December 1993, Mr Justice Millett said: "Mr Kevin Maxwell lied to many different people on many occasions about the ownership of the Berlitz shares."

The decision to end all criminal proceedings came as a considerable blow to the UK Serious Fraud Office which faced further criticism. However, the SFO refused to accept it had made a misjudgment in pursuing a second trial. Mr George Staple, the SFO director, warned that the decision had "serious implications for the prosecution of the largest and most complex criminal cases".

The judge said he had been influenced by several factors in reaching his decision. The most serious charges, those involving pension funds, for example, had been dealt with the in first trial. The Berlitz issues were less serious, he said.

Judge's conclusion, Page 8
Editorial Comment, Page 13

Hong Kong port deal agreed by China and Britain

By John Ridding in Hong Kong

Britain and China yesterday announced a long-delayed agreement on the construction of a new container terminal for Hong Kong, resolving one of the most intractable disputes before the transfer of sovereignty next July.

The accord ends a four-year dispute and marks a further step in improving Sino-British ties. In talks in Beijing, the two sides failed to agree on ceremonies for the transfer of sovereignty, but they reported progress ahead of a meeting between their respective foreign ministers in the US next week.

"I am cautiously optimistic that an agreement can be achieved," said Mr Hugh Davies, chief British representative to the Sino-British Joint Liaison Group which manages issues relating to the handover.

Officials from the Hong Kong government and the companies involved in the port deal claimed satisfaction with the agreement. "It is a win-win situation," said Mr Stephen Ip, secretary for economic services. "It will increase the capacity of the port and introduces a major operator in the interests of competition."

However, while the accord enables Jardine Matheson, the UK-controlled conglomerate, to enter Hong Kong's port industry, it reduces its role from a consortium leader. It will now hold a 28.5 per cent stake in Asia Container Terminals, behind the 29.5 per cent held by Sea Land. Its reduced role and the fact that agreement required a reshuffling of Hong Kong's port facilities left lingering concerns about political influence in commercial decisions before the handover.

Jardine's participation in the winning consortium in the 1992 contract had proved the stumbling block to China's acceptance of the agreement. Beijing said the award was the result of the company's support for democratic reforms introduced by Mr Chris Patten, the territory's governor.

Under the terms of the agreement, Asia Container Terminals will swap two berths awarded in the CT9 terminal for two in CT8, one of the existing terminals. These berths are currently managed by MTL, a subsidiary of the Wharf group, which along with Hutchison International Terminals dominates the Hong Kong port, the busiest in the world.

The companies declined to comment on the planned investments in the terminal. But the addition of two feeder berths is expected to take the expected costs above previous estimates of about HK$10bn ($1.3bn).

Japan coalition paves way for election next month

By William Dawkins in Tokyo

Japan's coalition government yesterday opened the way for a general election next month.

The leaders of the three parties in the ruling coalition agreed to call an extraordinary session of parliament a week from today, as constitutionally required for Mr Ryutaro Hashimoto, prime minister, to call an election.

But the party leaders failed to agree an election date. Mr Hashimoto's Liberal Democratic party, which leads the coalition, favours October 20, but the prime minister left the date unstated as a gesture to his partners, the centre-left Social Democratic party and New Harbinger party.

Opinion polls suggested the outcome of the election would lead to a more stable coalition than the four that have governed the country in the three years since the last vote. The polls indicate that the LDP is set to strengthen its position as Japan's largest party, but not enough to form an outright majority in parliament.

Mr Hashimoto hopes to continue in coalition with his two partners even though they have been weakened by recent defections to a new opposition party.

This will be the first election under a new voting system, intended to encourage policy debates – hitherto lacking in Japan – and to give more weight to urban votes at the expense of the rural interests that have dominated Japanese politics for most of this century.

Mr Hashimoto is not obliged to seek an election until next July, but is keen to go to the polls now to reap the benefits of an economic recovery and settlement of a row with the provincial government of Okinawa, which last week withdrew its refusal to renew leases of US bases there.

The main opposition group, the New Frontier party, yesterday welcomed the prospect of a snap election.

The government had "run into a dead end in terms of policy making", said Mr Takeo Nishioka, NFP secretary-general.

The present lower house of parliament has 511 members, chosen from a unique system of multi-seat constituencies. Its successor will have 500 seats. These are divided between 300 single-seat districts and 200 chosen by proportional representation.

The LDP hopes to complete its rehabilitation from humiliation in the July 1993 election, when it was thrown into opposition for the first time in 38 years, a consequence of public distaste aroused by disclosures of corruption, and defections of LDP politicians to new reform-minded groups.

Road to full control, Page 4

Turkey aid

Continued from Page 1

spending when the EU's budget is drawn up, and plans to call for a "substantial amount" of Meda spending in the draft 1997 budget to be blocked.

Frozen funds would be paid into a reserve, and could be released only by a parliamentary vote if the Commission convinced MEPs that Turkey was making progress on human rights and democracy.

Sumitomo copper losses

Continued from Page 1

Yonezu, vice-president, denied Sumitomo had started to liquidate copper positions before its public announcement on June 14. Copper prices had fallen sharply on the London Metal Exchange after June 5 when Mr Hamanaka confessed his losses to his superiors.

To claims that his trades had full board authorisation, Mr Yonezu said financial institutions were probably unable to differentiate between proper and unauthorised transactions which had been deliberately hidden from Sumitomo management.

Sumitomo said it would now report an unconsolidated after-tax loss of Y217bn in the six months to September 30. It expects to reduce the full-year loss to Y150bn by selling some of its stock portfolio and property.

THE LEX COLUMN

Fiat's motor stalls

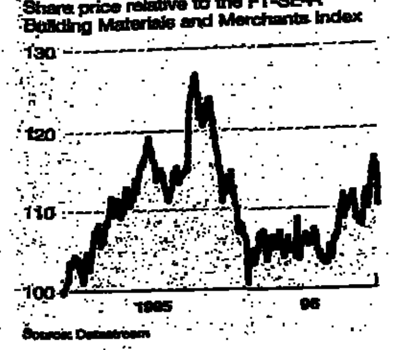
It is no wonder Mr Cesare Romiti, Fiat's chairman, has recently taken to arguing vociferously that Italy should delay entry to European Monetary Union. Fiscal stringency is clearly the last thing Fiat needs, given the slump in Italian car sales, which remain the mainstay of profitability. Meanwhile, the strengthening of the lira has damaged exports. Hence, yesterday's admission that group profits for the full year would be lower than 1995.

However, much of the current suffering is a factor of Fiat's plans for the future. The group's domination of the Italian market will eventually come under pressure, but Fiat's plans for its so-called world car, the Palio, look a sensible means of offsetting the impact with increased sales in emerging markets. This project has absorbed considerable capital, but it should eventually generate a decent payback. And in the meantime, group profit margins in the second quarter were double those of the first, pointing to a recovery in the second half of 1996.

On a ratio of enterprise value to cash flow, Fiat is roughly in line with its peers among the European car producers, having seen its traditional premium eroded by several years of share price underperformance. Its shares are probably oversold, given recovering margins and better prospects for Italian car sales. Nonetheless, Fiat's lack of both transparency and focus, and the uncertainties surrounding its management succession, all argue *against much of a rebound.*

FT-SE Index: 3974.3 (+18.7)

RMC



Japanese brokers

Japan's banks have owned up to many of the horrors resulting from their lending binge in the 1980s. Now the country's stockbrokers are finally following suit; Nomura Securities, the largest, yesterday injected a whopping Y371bn ($3.4bn) into its troubled non-bank offshoot, Nomura Finance. Like the bankrupt *jusen* housing loan companies (which have caused the banks such a headache), Nomura Finance provided mortgages and loans – many to real estate speculators who have since gone bust. All the big brokers own similar finance companies and most are in trouble. But since they are neither quoted nor consolidated in the accounts of their parent companies, it has been impossible to gauge their state of health. This has allowed the brokers to pretend that support from other non-consolidated group companies – in Nomura's case, its Nomura Land and Jasco venture capital arms – would be enough to prop them up. Nomura has shattered that illusion by admitting that nothing less than a full bail-out from the parent company would serve to rescue Nomura Finance.

This puts pressure on the rest of the pack. With net assets of Y1,600bn and Y432bn of unrealised gains on securities holdings that it can sell, Nomura is strong enough to take its loss on the chin. The problems at Daiwa and Nikko also look manageable. But analysts are less sanguine about whether Yamaichi and Sanyo can afford to write off their exposures in one go.

RMC

Mr Peter Young, chief executive of RMC, does not face difficulties that begin to approximate those faced by his unhappy namesake, latterly of Morgan Grenfell. But a 8½ per cent fall in the share price suggests the market remains unpersuaded about the group's outlook. A 26 per cent drop in interim pre-tax profits was no surprise, but northern Europe's depressed business environment raises the question of what will drive the company's continued growth.

Germany has been the main engine behind buoyant profits in recent years, but a combination of appalling weather and weak demand has caused profits there to fall by 57 per cent. Management is forecasting some improvement over the next 18 months. But given the sober outlook, a provision of only £3.5m for rationalisation costs in the context of half-year turnover of £730m suggests the company is being timid. The outlook in France is arguably worse, and fiscal incentives to boost the housing sector will soon lapse. The UK could take up some slack, with welcome signs of life in the housing market, while the US and Israeli markets remain strong. But the combination does not look enough to compensate for the deflationary effect of the Maastricht treaty in Europe.

The company remains financially strong and soundly managed. A raised dividend also attests to the board's confidence about the future. But without more evidence of the basis for this confidence, the shares look likely to track sideways.

Advertising

A daring takeover in the advertising world is a tougher test of investors' nerves than the most irritating jingle. Reckless expansion in the 1980s drove three of the UK's biggest agencies – WPP, Cordiant and Aegis – close to collapse. And GGT's £105m takeover of BDDP, a French agency twice its size, certainly looks audacious. But this is a deal that bears the more sober hallmark of the 1990s.

For a start, GGT, the former Gold Greenlees Trott, is paying a very reasonable 0.9 times enterprise value to sales, close to its own valuation and that of WPP. More importantly, there are no cash earn-outs – the Achilles' heel of many past acquisitions. Instead, the French shareholders are getting 24 per cent of the enlarged company and BDDP's two key managers are joining the board.

The commercial rationale is strong as well. Arguably, WPP and others, who spent lavish sums creating global agencies a decade ago, were ahead of their time. But the clients are catching up. Over the past two years eight of the world's biggest advertisers, including IBM, Kodak and De Beers, have moved from a collection of agencies to a single international network. And while WPP and Cordiant have been hobbled by high borrowings, Omnicom and Interpublic of the US have continued to consolidate aggressively. Medium-sized GGT was increasingly caught between the global networks and the hot-shot creative boutiques. This deal helps it catch up.

Additional Lex comment on BICC, Page 19

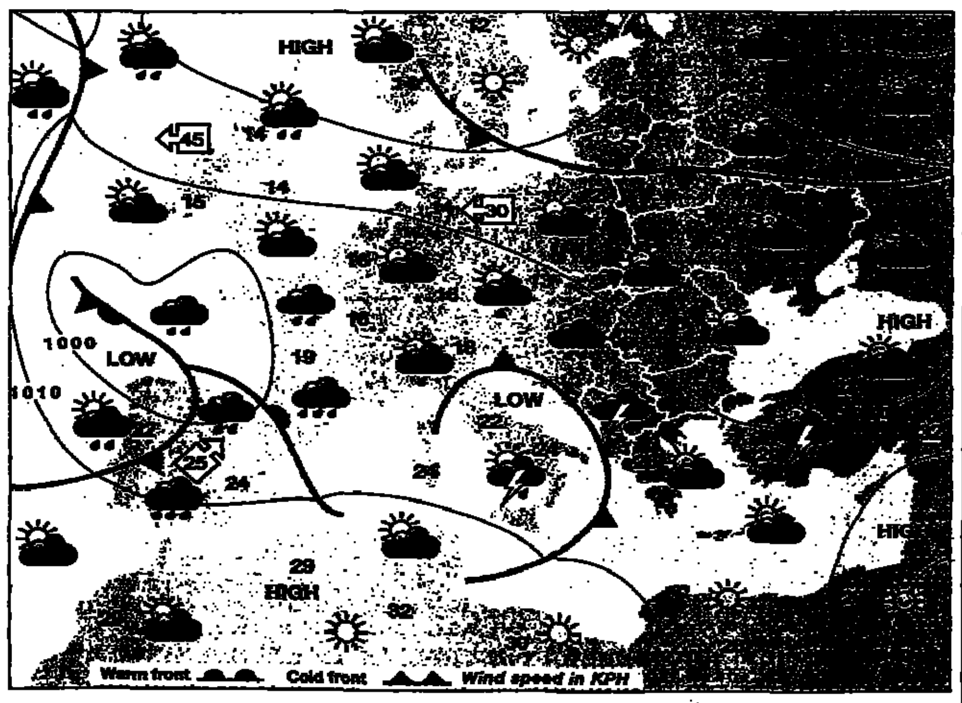
FT WEATHER GUIDE

Europe today

Most of Scandinavia will be sunny, although southern Norway will be cloudy. The Benelux will have a mixture of sun and cloud with Belgium expected to have some light showers. Germany and Poland will be mainly dry with sunny spells. The Czech Republic and Slovakia will be mainly cloudy. The Alps will be overcast with some rain over eastern Austria. France will have some showers. Spain will have rain. Italy, Greece and the Balkans will have rain and thunder showers.

Five-day forecast

Low pressure over Spain will gradually move across the continent, causing plenty of rain over western Europe. The rain will reach eastern Europe by Monday and Germany by Tuesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 26	Caracas	thund 32	Faro	rain 24	Madrid	rain 21	Rangoon	cloudy 31
	Celsius	Belfast	fair 16	Cardiff	fair 18	Frankfurt	shower 16	Majorca	shower 24	Reykjavik	shower 14
Abu Dhabi	sun 36	Belgrade	thund 18	Casablanca	cloudy 25	Geneva	shower 17	Malta	fair 25	Rio	thund 24
Accra	thund 27	Berlin	fair 14	Chicago	cloudy 23	Gibraltar	rain 22	Manchester	fair 17	Rome	thund 22
Algiers	fair 27	Bermuda	fair 23	Cologne	fair 16	Glasgow	fair 16	Manila	thund 31	S. Frsco	sun 25
Amsterdam	fair 16	Bogota	cloudy 20	Dakar	fair 31	Hamburg	sun 15	Melbourne	fair 13	Seoul	sun 25
Athens	shower 26	Bombay	shower 31	Dallas	fair 32	Helsinki	sun 9	Mexico City	fair 26	Singapore	rain 30
Atlanta	sun 29	Brussels	shower 15	Delhi	sun 30	Hong Kong	fair 32	Miami	fair 31	Stockholm	sun 12
B. Aires	cloudy 16	Budapest	shower 15	Dubai	sun 35	Honolulu	fair 32	Milan	shower 16	Strasbourg	shower 16
B.ham	fair 16	C.hagen	fair 13	Dublin	shower 15	Istanbul	fair 22	Montreal	shower 20	Sydney	shower 17
Bangkok	thund 34	Cairo	sun 37	Dubrovnik	thund 21	Jakarta	fair 32	Moscow	fair 8	Tangier	cloudy 25
Barcelona	shower 22	Cape Town	fair 19	Edinburgh	fair 16	Jersey	shower 15	Munich	cloudy 14	Tel Aviv	sun 34
						Karachi	cloudy 33	Nairobi	cloudy 26	Tokyo	cloudy 26
						Kuwait	sun 40	Naples	thund 22	Toronto	sun 21
						L. Angeles	sun 27	Nassau	thund 32	Vancouver	rain 14
						Las Palmas	sun 26	New York	fair 24	Venice	shower 18
						Lima	cloudy 19	Nice	fair 21	Vienna	shower 12
						Lisbon	rain 22	Nicosia	sun 30	Warsaw	fair 12
						London	fair 16	Oslo	cloudy 13	Washington	sun 26
						Lux.bourg	shower 14	Paris	rain 16	Wellington	fair 10
						Lyon	shower 18	Perth	fair 20	Winnipeg	fair 18
						Madeira	fair 26	Prague	rain 13	Zurich	shower 13

VENTURE AND DEVELOPMENT CAPITAL

Funds enjoy vintage years

A decade and a half since it took off in the UK, venture capital is seen as a mature industry. Ian Hamilton Fazey examines the factors behind its recent coming of age

When Westwind Air Bearings was bought by the Cobham group 10 months ago, it was a moment of triumph for the venture capital arm of Kleinwort Benson, the London merchant bank. Only 30 months after the bank had backed the management buy-out of Westwind from the US group Mogul with £5m of equity, Cobham paid £75m for the company. Kleinwort Benson parted with its majority stake for £44.6m.

In the parlance of the venture capital industry, it was a plum.

But there is an old saying in the business that the lemons always ripen before the plums. Ten years ago, this was repeated often to venture capital investors to prepare them for pain before the eventual, hoped-for pleasure. The UK industry – the most important in the world outside the US and the largest in Europe (see table) – is now mature enough for its failures, or lemons, to be far outnumbered by its successes.

According to the latest survey by the British Venture Capital Association (BVCA), 100 venture capital funds last year returned more than £800m to their own investors by harvesting plums – a quarter of the original capital paid into the funds during the previous 15 years.

This brought their total distributions to £3.1bn, or 104 per cent of the £3bn paid in, in spite of the fact that the 100 funds still retain a further 55 per cent of the original investments – valued conservatively at £1.7bn.

The funds in the BVCA analysis were "independents". They comprise only part of the industry, the rest being "captives" – the in-house venture capital arms of banks, insurance companies, pension funds and the like – or investment trusts and 3i, Britain's largest and most experienced capital provider for industry and commerce.

However, two things make the performance of the BVCA's 100 independents an important yardstick. Firstly, they represent 95 per cent of all independents and account for 99 per cent of funds handed over to non-captives during the 15-year period. Secondly, each is itself a type of venture capital project and can, therefore, quite literally speak for the state of the industry.

Their investors – mainly pension funds and insurance companies – put their own investors' and members' money at risk when they hand it over. The independents' survival therefore depends on their ability to pick the winners.

Venture capital, however, is a long-term business and performance takes years to measure. It is only now – a decade and a half after the independent sector of the UK industry started in earnest – that its state of health is really apparent.

Not all the independents did brilliantly, but their pooled internal rate of return was 13 per cent last year – up almost a percentage point on the previous 12 months. The best did very well, with the top 25 returning 25.2 per cent compared with 24.2 per cent in 1994.

As Abingworth Management's Mr David Quysner, this year's chairman of the BVCA, points out, long-term returns in the venture capital industry have now been shown to be superior to those from many other types of investment – and to offer acceptable liquidity.

Indeed, there is now a substantial market in SBOs – secondary buy-outs – where venture capitalists buy the equity holdings of others so the latter's investors can have their original stake back at the end of the fund's planned life of around 10 years. The SBO market was worth £78m in 1995, or 8 per cent of all financings, with an average deal size of £809,000.

Individual venture capital managers have matured with the industry. Experience has taught them how to tighten their investment focus and restructure their funds more efficiently in what has become a highly competitive market, with few good deals available.

These changes are already leading to constantly improving returns, and Mr Quysner and his colleagues believe the industry has made its case for the place of venture capital in any balanced portfolio.

Another sign of the industry's maturity is the growth of IBOs – institutional buy-outs. These are also known as "bought deals", where the venture capital provider acts as principal, buys the majority stake and then sells some or all of it on.

Some equity may go to an incoming management buy-in team, or to the existing management in a buy-out, or to a combined buy-in/buy-out (known in the trade as a "Bimbo"). More importantly, some equity will usually be sold to other venture capital funds so the investment risk can be spread. The networks and informal alliances needed for such a process can only happen in a market large enough for them not to compromise the industry's internal competitiveness.

Market forces are one reason why the bought deal – once rare – is now becoming more common. The process is useful when a vendor wants to sell but does not want a company's management to stop managing while it formulates an MBO; or where there is no obvious succession in a family-owned business and the vendor does not want to be forced into a trade sale at a knock-down price.

This latter scenario has led to the emergence of another trend, which NatWest Ventures has christened the "Susobo". This stands for "sell up, stay-on buyout" and refers to what happens when the vendor temporarily remains at the company in a lesser, advisory or non-executive role. There is a tax advantage: the vendor realises some capital, qualifies for retirement relief on the sale, and can re-inject some of the capital realised while still taking an active role in the business.

Running in tandem with the trend towards different types of deals is a restructuring of the industry within the UK. One feature of the mid-1980s was a rapid emergence of scores of regionally based funds whose managers raised between £5m and £20m to invest outside London and the south-east. Most are fully invested and although some are raising new capital, pension fund managers, insurance companies and London merchant banks are increasingly averse to putting up more.

Economy of scale is the problem: an institutional investor cannot afford the time to keep his eye on 50 or so separate funds he has put money into, so there is pressure to aggregate regional funds or build larger ones.

The sale of North of England Ventures to Granville this year typified the trend: new, large venture capital funds are emerging to cover the regions, of which Granville and Murray Johnstone, the Glasgow-based finance house, are prime examples.

However, the difference from 10 years ago is that these smaller funds have ensured there is now an infrastructure of venture capital, corporate finance and attendant professionals available in most big cities outside London and particularly in the regional financial centres of Birmingham, Manchester, Leeds, and – for Scotland – Glasgow and Edinburgh combined.

They are experienced enough now to make £50m or even £100m investment decisions locally – at least 10 times their venture capital "credit limit" of 1986. At the same time, there is serious poaching of able executives as merchant banks, venture capital funds and stockbrokers seek to exploit the fertile buy-out territory further north.

Even if these executives are paid around £80,000 a year plus bonuses, it is cheaper to hire them from others than relocate their contemporaries from London, where earnings are even higher. It could only happen in an industry that has truly come of age.

European venture capital investments

	Number of investments						Estimated total value					
	1993		1994		1995		1993		1994		1995	
	No.	%	No.	%	No.	%	Ecu (m)	%	Ecu (m)	%	Ecu (m)	%
Austria	4	0.0	2	0.0	4	0.0	1	0.0	0	0.0	1	0.0
Belgium	131	2.4	118	2.1	132	2.7	92	2.2	107	2.0	111	2.0
Denmark	28	0.5	33	0.6	48	0.9	15	0.4	18	0.3	31	0.6
Finland	82	1.5	99	1.7	114	2.3	20	0.5	24	0.4	34	0.6
France	1,654	30.6	1,442	25.4	994	20.0	908	22.0	1,087	20.6	851	15.3
Germany	665	12.3	740	13.0	762	15.4	626	15.2	802	14.7	666	12.0
Greece	n/a	n/a	n/a	n/a	18	0.3	n/a	n/a	n/a	n/a	6	0.1
Iceland	8	0.1	10	0.2	14	0.3	1	0.0	2	0.0	1	0.0
Ireland	39	0.7	50	0.9	33	0.7	22	0.5	27	0.5	19	0.3
Italy	149	2.8	202	3.5	220	4.4	260	6.3	273	5.0	253	4.6
Netherlands	335	6.2	400	7.0	280	5.7	207	5.1	323	6.0	467	8.4
Norway	109	2.0	151	2.7	163	3.3	42	1.0	63	1.2	120	2.2
Portugal	139	2.5	134	2.4	137	2.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	239	4.4	220	3.8	218	4.4	113	2.7	118	2.2	163	2.9
Sweden	67	1.2	71	1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	58	1.0	57	1.0	29	0.6	49	1.2	77	1.4	48	0.9
UK	1,729	32.0	1,954	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: European Venture Capital Association (evca) 1 Ecu=£0.75 (24.5.96)

VENTURER OF THE YEAR 1996

Ron Hamilton, founder of disposable contact lens manufacturer, Award, took the top prize yesterday at an event sponsored by the British Venture Capital Association, Cartier the jewellers and the Financial Times. Full story - plus details of the other finalists - page 5

IN THIS SURVEY

Who invests in what: by Ian Hamilton Fazey

Start-ups remain a Cinderella

MBOs, MBIs and expanding companies are the most favoured categories

When Mr Ron Hamilton, the 1996 Venturer of the Year, was hunting for venture capital to build his business up from scratch, he discovered an uncomfortable truth: getting such financial backing for a start-up is the hardest job in his market.

"Generally, start-ups in manufacturing are not welcomed with open arms," says Mr Bill Seden, co-founder, with Mr Hamilton, of Award, and now the company's technical director. "We just proved what everyone else already knew."

To get going, Mr Hamilton and Mr Seden had to relocate to Scotland and take advantage of government grants and subsidies.

Seven years on, things are no different in the venture capital business.

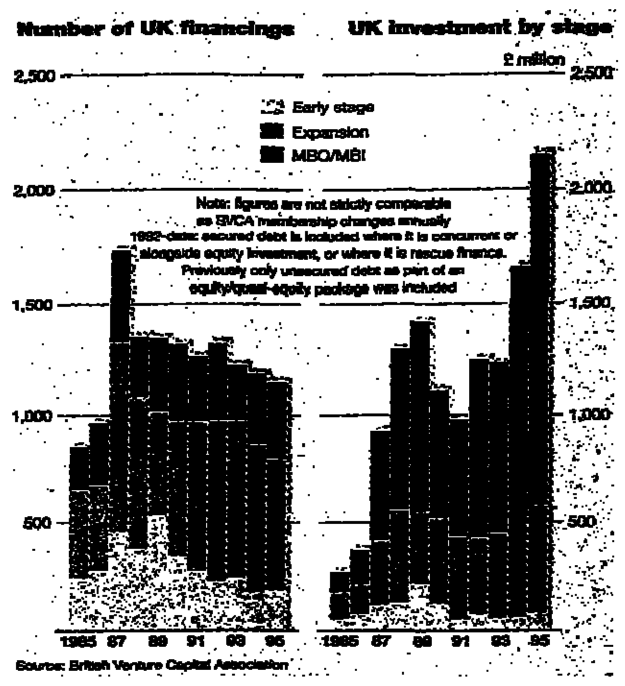
According to the latest statistics published by the British Venture Capital Association, the number of investments in start-ups and other early stage companies increased to 185 last year from 177 in 1994, with a total *commitment of £85m. But* behind the figures lies a grimmer reality. Although these 185 companies represented 16 per cent of all deals done, the money was only 4 per cent of total funds invested. Moreover, start-ups numbered only 86 of the 185 and received an average of only £291,000 each, compared with £606,000 per company for early stage investments. This meant that start-ups also accounted for only 7 per cent of financings and – at £25m – a paltry 1 per cent of total investment. Given that the previous two years' totals were £45m and £34m, start-ups not only remain the Cinderella of the industry, but also appear to be growing more unpopular among fund managers.

The BVCA's latest annual statistics were compiled by Graham Bannock & Partners, a well-respected independent consultancy specialising in the small and growing business sector. The analysis shows that the venture capital industry is becoming increasingly skewed towards management buy-outs and buy-ins, with a growing disparity between the average size of these deals and those involving *early stage finance and* expansions.

Indeed, funds allocated to MBOs and MBIs rose by 40 per cent, from £1.11bn in 1994 to £1.56bn in 1995. This figure accounted for no less than 73 per cent of total investments.

Meanwhile – and for the first time – MBOs accounted for just over half of funds invested. With the average size of an MBO investment increasing by 30 per cent to £4.55m, there was a marked trend towards larger deals for MBOs at a time when the average start-up deal size was declining.

This is, of course, understandable. All venture capital is at risk in any investment. Start-ups may offer investors some of the greatest returns, but they also carry the highest risk of failure. By contrast, MBOs are usually much safer investments: the companies involved are already established in their markets and their managers ought to know what they are doing. Indeed, good management, rather than entrepreneurship, should see MBO companies carry their investors safely to the nearest exit. Managers who do not shape *up early enough are quickly* replaced.



early stage, expansion and MBO/MBI, under which there are further sub-sections. In the UK, there were 1,144 deals at an average size of £1.87m, compared with 1,189 and £1.40m in 1994, and 1,215 and £1.01m in 1993.

This made the UK the most active venture capital market outside the US. Although worldwide investment by UK fund managers *totalled £2.5bn last year – an* annual increase of 22 per cent – £2.1bn of it went to UK companies, an increase of 74 per cent in two years. Companies elsewhere in Europe got £348m, a drop of 7 per cent.

In the UK, however, average deal sizes rose in all categories except start-ups (a sub-section of early stage) and the refinancing of bank debt (a sub-section of expansion).

The most popular type of deal was for actual expansion itself, with 506 companies taking 20 per cent of all funds at an average deal size of £826,000. Companies seeking refinancing, or "secondary purchase", whereby one venture capitalist buys the stake of another investor, did far less favourably. The former expansion sub-category involved only 15 companies and an average sum of *£333,000; the latter, 89 and an* average of £809,000.

Management buy-outs offer what all venture capitalists want: experienced managers and proven businesses – a flow of high-quality deals

The other factor at work is supply and demand: there are plenty of MBOs around as large groups continue to reconstruct themselves. MBOs offer what all venture capitalists need – a flow of high-quality deals. Consequently, 240 were backed in 1995 by the lion's share of all funds available. The 109 MBIs did nearly as well, with an average deal size of £4.29m.

The venture capital industry divides its investments into three main categories – As far as what was backed is concerned, a greater number of general industrial companies received venture capital than any other sector, with 420 deals done, or 41 per cent of the total, and £739m invested. Of these, the largest grouping was of 143 engineering companies. Services, however, beat general industrials for the largest share by value, with £743m, or 35 per cent of the total, going to 381 companies.

Consumer goods were the next largest industrial sector supported, with 178 deals worth a total of £476m. The also-rans were: utilities, where six telecommunications companies got £79m between them; 14 companies in oil or extractive industries, which received £69m; and 31 "financials" – including 14 property companies and 10 banks – sharing £34m.

Regionally, the BVCA *statistics have been analysed in* terms of numbers of companies backed per thousand VAT-registered businesses to show comparative performance against a common measure of business activity. Scotland came top with 1.07, followed by 0.79 in the North of England, 0.73 in the north-west, 0.69 in the south-east and 0.68 in the West Midlands. The lowest rates were in Northern Ireland, with 0.47, Wales, with 0.48 and south-west England, with 0.40.

The south-east had the largest share of the total, however, with 38 per cent of funds invested. Investment in Greater London alone increased by 68 per cent. There were big rises in the East Midlands – 450 per cent to £322m – and the West Midlands, which received 46 per cent more in total funds and where average deal sizes *leapt to £3.47m from £1.16m* two years before.

The BVCA warns, however, that regional statistics should be treated with caution because comparatively few deals are done and one, or two large transactions can easily distort year-on-year comparisons. The north-west, for example, was the most important region outside London in 1994, with a 13 per cent share – £225m – of national funds invested. Last year its share dropped to 8 per cent – £180m – even though almost the same number of deals – 103 against 102 – were done.

Two other important statistics emerged. For the first time, more than £1bn was invested by "independent" venture capital funds, which raise their own money from pension funds, insurance companies and others. "Captive" venture capital providers – they are owned by fund-providers such as banks or similar financial institutions – responded sharply by investing £642m, an 84 per cent increase on 1994's £349m.

Venture capitalists also took a break from raising funds. They pulled in £2.6bn in 1994 and their own backers are less enthusiastic about giving more until much of this is in play. The result was that only £749m was raised for future investments last year as the fund-raising phase of the cycle turned downwards.

Small companies exchanges: by Christopher Price

Half-way house or heartbreak hotel?

Junior markets offer a bridge to a full listing, but their history has been chequered

Since opening for trading 16 months ago, the Alternative Investment Market has enabled £645m to be raised among the 207 member companies.

The junior market has already established itself as an important staging post for smaller companies between venture capitalists and the main market.

It was the glaring need for such a role that inspired the London Stock Exchange to conceive of the idea for Aim over two years ago.

However, the initial plans for the new market proved controversial and went to the heart of the difficulties inherent in setting up a smaller companies exchange that was cheap and accessible, but incorporated enough rules and regulation to instill investor confidence.

Institutional investors in particular were critical of the early plans for Aim and it was their concerns over what they considered insufficient regulation that led to the emergence of the current regulatory structure.

The stock exchange has handed over the main policing role on the market to the companies' advisers. These must be drawn from a list approved by the exchange. The nominated advisers – or "nomads" – are responsible for scrutinising their client companies credentials and making sure they adhere to the on-going Aim rules, such as mandatory interim reporting, trading updates and board appointments.

However, there is neither a minimum trading record requirement nor a minimum number of shares that need to be in public hands. This makes the market particularly attractive to and important for young companies looking to raise capital without losing control to outside shareholders.

The stock exchange made sure Aim got off to a solid start by abolishing Rule 4.2, by which some 300 smaller private companies traded their shares. By removing the facility, around 120 companies moved to Aim in a matter of weeks and gave the new market critical mass and instant liquidity.

Not all companies, however, were happy to move. Some were not interested in raising capital and in particular were concerned at the admission fees charged by nomads, which started at £10,000 and often went into six figures.

The main market: the ultimate destination of many Aim stocks

To fill the gap between 4.2 and Aim, a firm of City market makers, J. P. Jenkins, conceived Ofex. On this market, shares are traded on a matched bargain basis and each of the 111 member companies pays £2,000 a year for a bulletin screen service. While Ofex has raised some capital, it is a private, unregulated market and not widely used by investors.

Despite the stock exchange's attempts to bolster investor confidence in Aim, large fund managers have largely disregarded it. As well as having regulatory concerns, many remember the patchy records that dogged previous smaller companies markets.

One such was the Over The Counter market. Operating throughout most of the 1980s, the OTC was, like Ofex, an unregulated matched bargain exchange. It was killed off in 1988 by a combination of competition and regulation – namely, the launch of the Third Market by the stock exchange and the failure of the OTC's main marketmaker to gain a licence under the new Financial Services Act.

Its rival, however, did not fare much better: the Third Market was never very popular and was merged into the Unlisted Securities Market in 1990. The USM itself suffered from being too costly and too inaccessible and was attracting few new members before Aim was launched. Not surprisingly, it is being wound down this year by the stock exchange. Many of its members are expected to step up to the full list.

While large investors have not been conspicuous, wealthy private investors have been attracted by a combination of potentially high returns and generous tax breaks on some stocks.

But the success this backing has brought Aim has been double-edged. A spate of bad news over the summer has been linked by some critics to a rush of companies eager to take advantage of investor enthusiasm and a subsequent lack of proper due diligence by nomads. The Aim authorities are reviewing the market and speculation is rife that at least one nomad will be disciplined.

(Ofex, too, has not escaped controversy, with one of its members, Skynet Corporation, undergoing investigation by the Securities and Futures Authority over possible share price manipulation.)

The fact that Aim has managed to attract several companies from Israel, as well as Dutch, French, Luxembourg and US interest, has provided the spur to potential competitors, such as Easdaq.

Easdaq is due to launch later this month and is intended as a European version of the Nasdaq market in the US. Nasdaq has attracted a high proportion of high-tech issues and the European version, based in Brussels, is hoping to emulate it.

There will be dual listings between some Easdaq and Nasdaq companies, a large proportion of which will make up the 20 members likely to be listed at the market's opening. Easdaq hopes to double that figure in a year and forecasts a membership of 500 in five years.

Key sectors: biotechnology by Daniel Green

Shadows over glory days

There are fears that the golden age of biotech investment may be under threat

Money is no problem in the bustling UK biotechnology venture capital sector. People, however, are in short supply: there are vacancies for experienced managers in biotech companies and in the funds that invest in them.

That is a problem the industry likes to have. It is a symptom of what has been the best year since the start of the decade for biotech investment performance.

Biotechnology Investments Limited (BIL), the Rothschild-advised fund quoted on the London stock exchange has had an "outstanding year", for example. Net assets rose 97 per cent to $362.6m during its financial year.

Investor confidence has improved even faster: a year ago the Rothschild International Biotechnology Fund traded at a discount to net asset value. This summer it has been in that exclusive band of investment trusts trading at a premium.

Some individual companies have done much better than that. Eighteen of the more than 200 biotech stocks in the US and UK tracked by the US newsletter *Bioworld Financial Watch* have at least doubled this year. Eleven have fallen by 50 per cent or more.

By country, the UK has been a star, outperforming the US by about 40 per cent over the past year. This performance has been driven largely by the showing of British Biotech, whose *shares have trebled in the* past year, but others have done almost as well.

The impact of this is felt throughout both the biotechnology and venture capital industries.

Investor demand for shares in biotech companies has helped seven businesses dedicated to inventing new medicines to float on the London stock exchange in the past year. Several further companies – involved in such areas as diagnostics rather than drug discovery – also came to the market, and there were biotech flotations on the Alternative Investment Market (Aim) where the requirements for listing are lower than on the main exchange.

Such activity in turn stimulates the venture capital side of biotech. A steady stream of flotations reassures venture capitalists that there will be a rapid and profitable exit route for their investments. So there have been at least a dozen significant private rounds of fund-raising, mostly from venture capitalists.

They include Cerebrus of the UK, which raised £2.4m from Schroder Ventures, and Oxford Glycosciences, which brought in £13m from investors including BIL and Warburg Pincus. Meanwhile, the gene therapy company Therexsys, beat its target of £8m to £10m to raise £22.5m in its second round of financing.

Not surprisingly, the mood among venture capitalists continues to be optimistic. Fund managers speak of plans to raise the next few tens of millions of pounds from investors. Some have already done it.

New funds are being set up. Corange, the Bermuda-based parent of the German pharmaceuticals company Boehringer Mannheim said in August it would put up to DM150m into a Guernsey based healthcare fund. Merlin Ventures has been set up in London, backed by Mr Chris Evans, founder of Chiroscience and Celsis.

"There's more money in the whole venture capital industry," says Mr John Walker of Advent International in London. "People are looking for uses. They are scrambling to find opportunities."

"It's a very different world from that five to six years ago," says Mr Steven Bunting of the venture capital group, Abingworth.

In those days companies in the biotech sector would have largely been ineligible for flotations: it was not until 1992 that the London Stock Exchange changed its rules to allow companies without a record of profitability to list. By the rule change, the Exchange created an *industry* in much the same way as Nasdaq – the junior market specialising in high-tech stocks – did in the US. According to Mr Bunting, support services in law, banking and accountancy now exist for biotech companies.

But there is a downside. US biotechnology analysts think that the UK market is overvalued. If they are right, investors in the UK may soon discover the extent of their losses.

There has already been some hesitancy during the summer among investors. Shares have marked time while investors have considered whether their holdings in the sector really reflect the risks. All admit that the sector is highly precarious, but since none of the UK companies has yet failed in the dramatic fashion of some *of their US contemporaries* in the early 1990s, the extent of the risk is hard to gauge.

UK venture capitalists are reluctant to admit to any problems. Conceding that rising values in the UK mean they are paying more for biotech assets is about as far as they will go.

"Venture capital buying multiples have risen 20-25 per cent over the last two to three years," says Advent's Mr Walker, adding that such an increase is only sustainable while the stock market rises.

So all eyes are on the next set of flotations in the sector. If they go well, the summer's share price stagnation will come to be seen as merely a pause for breath. If, on the other hand, there is a repeat of what happened in July – when Cambridge-based Cambrio abandoned its float and rivals Therapeutic Antibodies and Alizyme scaled theirs back – the sector could be in trouble.

The signs are that at least some of the flotations will be successful. The technology behind companies such as Cambridge Antibody Technology and Therexsys is good, with a much clearer route to high profitability than has been apparent with Alizyme and Therapeutic Antibodies.

Disaster may yet strike. If one of the high-profile drugs being developed by British Biotech fails, then sentiment could turn sour with a knock-on effect in venture capital.

So a series of successful flotations could trigger a return to growth for the whole sector and further riches for the venture capitalists. Failure could mean a return to the dark years of the early 1990s, when few made money and life was tough.

■ Key sectors/technology: by Paul Taylor

At last, a pipeline opens

Easdaq should help encourage the flow of funds to high-tech start-ups

The past 12 months have seen signs of rekindled interest in high-tech start-ups in Europe among private investors, venture capitalists and investment bankers from both sides of the Atlantic.

A recent venture capital seminar organised by *Red Herring* magazine and held in London attracted more than 30 venture capital organisations and identified 54 cutting-edge, private technology companies in the communications, computers and entertainment industries.

This renewed interest is positive news for entrepreneurs seeking capital to start and build new businesses in Europe, most of whom have faced lean times in recent years.

As Phildrew Ventures, the management buy-out specialists, notes: "The search for lower risk investments has drawn the venture capital community away from early-stage, adventurous investing to concentrate on acquisition finance or 'private equity' for MBOs.

"A few (indigenous) specialist early stage venture capitalists remain, but most focus on the MBO field. The early-stage investor is usually a specialist – you cannot make well-founded investment judgments about the prospects for biotech or IT companies without a close knowledge of the field."

Red Herring agrees. Based on a strict US-style definition of venture capital, the magazine noted in a recent article that, "Europe has an inadequate venture capital infrastructure with no more than two dozen valiant IT venture capital companies."

Nevertheless, despite what *Red Herring* describes as "this pitiful atmosphere", there are plenty of success stories among European and Israeli technology companies. Past high-profile successes have included Business Objects, Baan, Infogrames, Madge and Unipalm Pipex.

According to the British Venture Capital Association, the total amount invested in IT start-ups by its members was £230m in 1995, compared with £119m the previous year.

However, there are still very few places for entrepreneurs to turn for capital. 3i still accounts for the vast majority of UK-based venture capital. Last year, it invested more than half of all the equity that went into early-stage investment and is now either lead investor or part of the syndicate of investors in the vast majority of early-stage investments. Despite this, early-stage financing still only accounts for a small fraction of 3i's total investment.

There are also several focused funds that provide early-stage financing such as those managed by Cinven, Apax Partners and Schroder Ventures. But the number of true early-stage venture capital firms in Britain can be counted on one hand and "seedcorn" capital is virtually non-existent.

Indeed a number of funds has failed to raise new money because their investment records have been inadequate. Among the casualties was the Korda Seed Capital Fund, which closed last year after failing to raise a European Technology fund.

Mr Richard Gourlay, an investment manager with the London-based Top Technology venture capital firm, believes the fund's demise says a lot about the difficulty early-stage venture capital fund managers have in recouping their investments within the time frame of a fixed life fund – despite making successful investments.

Among the investments held by Korda is Cambridge Animation, which is also backed by 3i and which makes three-dimensional software for animation studios. However, none of Korda's investments was sold or floated in time to generate the performance required to raise a new fund and Mr Alex Korda, one of the fund's partners, argues that it is now easier to raise equity for individual companies than capital for venture funds.

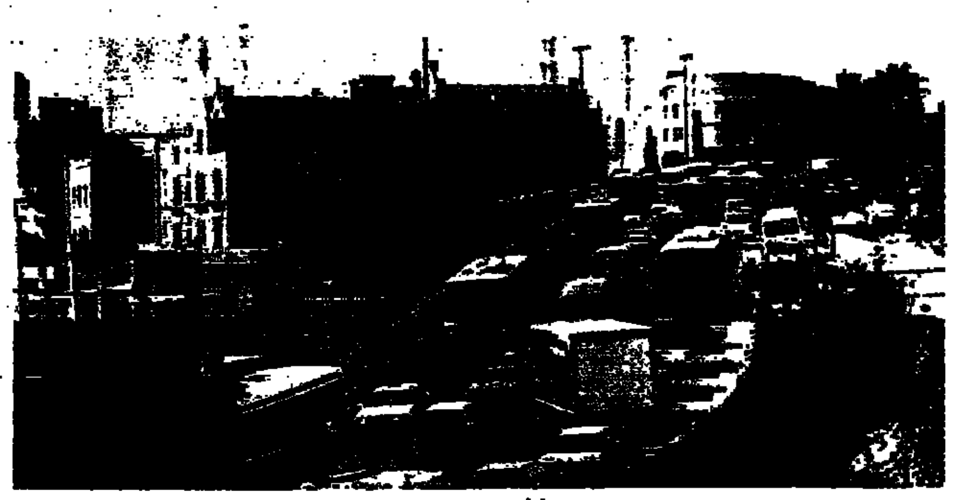
In Continental Europe, capital is marginally easier to find, although active venture capital funds are few and far between. Last year, Ecu 653m of seed and start-up capital flowed to emerging IT-related companies in Europe compared with about $8bn in the US. Much of this was supplied in the form of grants and loans by national or state governments.

Similarly, in Israel the government took a more indirect role in nurturing high-tech companies three years ago when it decided to stimulate the development of a venture capital industry. A handful of funds, such as the $29m Athena fund, had existed as early as 1985, a few years after the venture capital industry started to emerge in Europe. But the industry only took off after the government set up Yozma venture capital in 1993 to act as a catalyst.

With a budget of $100m, Yozma has invested in nine local funds alongside foreign venture capital investors. These activities raised $200m and brought in foreign investors such as Walden of the US, Kyocera of Japan, TVM of Germany and Advent of the US.

Private venture capital funds and some quoted funds followed, raising a further $300m. Another group of diversified private funds has raised $550m, a third of which has been invested in technology companies, according to Giza Group, an Israeli investment banking firm.

Many venture capitalists who were around at the birth of Silicon Valley 15 years ago now say Israel has become the most exciting focus of new high-technology companies outside California and Boston's Route 128.



The new fast track: Israel, where high-tech funds are thriving

About 75 high-tech Israeli companies have been floated on Nasdaq, the US market for fast-growing companies, many of them venture capital backed. By comparison, only about a third as many European technology companies have floated on Nasdaq.

Trade sales involving Israeli companies are also growing, providing venture capital firms with an alternative exit. In Europe, too, the prices corporations have paid for venture capital backed companies recently have been spectacular. Last year, the 1995 winner of the Venturer of the Year Award, Mr Bob Jones sold Sonix Communications, a modem company he started in 1992 to 3Com of the US for £44m.

Such successes, coupled with a buoyant high technology initial public offering market in London and the emergence of potential new exit routes such as the Easdaq market, have begun to draw the attention of US investment firms. For example, Hambrecht & Quist, Robertson Stephens and Cowen & Co have all recently announced that they are establishing permanent European offices.

This increased interest in dynamic young companies is not hard to explain. Venture capital backed companies that have floated have mostly had an impressive run over the past year. However, across Europe, there has been a growing recognition that the lack of active public markets for the shares of dynamic young companies has contributed to denying them access to venture capital.

The argument goes that without active markets, such as Nasdaq in the US, young companies will not be able to raise capital. And venture capitalists will remain wary of early-stage companies because they cannot see a way of realising their investments. Now, however, this could be changing.

Two years ago a group of European securities dealers and venture capitalists announced plans for Easdaq – a Europe-wide market for high growth companies and equivalent to New York's Nasdaq market, whose formation helped spur the surge in venture capital financing across the Atlantic.

This, in turn, has led the European bourses to launch or publicise plans for new exchanges for dynamic companies. In London the Alternative Investment Market has helped raise capital for 130 technology companies since its inception a year ago.

Meanwhile, in the wake of the launch of the Nouveau Marché in Paris, Belgium, Germany and Italy have all expressed an interest in new markets. But Top Technology's Mr Gourlay says the development of such new markets should give the European venture capital industry a significant boost.

"I think Easdaq will be hugely beneficial for the venture capital industry and young companies," he says. The industry's enthusiasm for the new markets reflects a belief that they will open up the 'pipeline' for venture capital by providing a clear exit route. "If one end of a pipeline is clogged, it limits the flow," Mr Gourlay adds.

PROFILE Unipalm Pipex

Men of high Net worth

How two of the Internet's first commercial pioneers became millionaires

When Unipalm was floated on the London Stock Exchange in February 1994 it became the first Internet service provider in the world to go public.

Today, the company – now renamed UUnet Pipex – is Britain's largest provider of Internet services to companies, part of a US-owned telecommunications conglomerate and in the midst of being acquired for the third time in two years.

In the process, Mr Peter Dawe, the entrepreneur who spent £7,000 of his own capital to set Cambridge-based Unipalm up as a small computer-networking software company in 1986, and was a finalist in this year's Venturer of the Year awards (see story, page 5), has emerged as a multimillionaire.

In 1988 Mr Dawe was joined by Mr Bob Williams, a former colleague from Cambridge Microsystems. The two men began distributing third-party software designed to enable communications between computers with different operating systems, while developing expertise in the TCP/IP networking protocol.

Sales grew, but in the early days the company's senior managers were paid below the going rate in exchange for the young company. By 1989/90, without tapping external funds, the company was profitable, reporting pre-tax profits of £600,000 on turnover of £2.5m and the equity was split between Mr Dawe and Mr Williams, who each had a 26 per cent stake, and three other senior managers who held the remainder.

But relations between the senior managers were not always harmonious – both Mr Dawe and Mr Williams left the company at different times in the early 1990s but eventually teamed up again. By 1991, Mr Dawe had begun to focus on the emerging market for corporate electronic mail and the next year Unipalm set up the Pipex unit to provide Internet connections to its corporate customers.

At an extraordinary general meeting the following April, Mr Dawe and Mr Williams pushed through a proposal to buy out the three other directors for £1.01m. In order to refinance the company, the two partners turned to 3i, which invested £1m for a 28 per cent stake in August 1992.

At the same time, Mr David Thorpe, a former 3i director, was brought in as chairman. Mr Thorpe brought Mr Chris Batterham, an Arthur Andersen-trained accountant with experience of the IT sector, in as finance director the following March.

The new management team then developed a new strategy for the group. "We decided to grow the Pipex business as fast as we could for a year," says Mr Batterham, now Pipex managing director. In order to fund its push into the untested Internet waters, Unipalm looked around for another capital infusion, but, says Mr Batterham, "there were no good UK role models", and most potential investors were unenthusiastic.

In mid-1993, with the Pipex Internet business growing rapidly, the directors decided the best option was flotation. In March 1994 Unipalm raised £5m through a £20m offering of shares priced at 100p, which valued the company at £168m.

3i sold enough of its stake to recoup its initial £1m investment. "They made £20m for their £1m," says Mr Batterham, "I think it has been their most successful investment for 10 years."

Since then, the company has continued to grow, buoyed by the growth of the Internet. Last year, it was bought by UUnet, the American Internet provider, which in turn was bought by MFS earlier this year and is now the subject of a multi-billion dollar bid by Worldcom.

Meanwhile, both Pipex founders have left the company, considerably more wealthy than they were 10 years ago.

Paul Taylor

■ **Venture capital trusts:** by Roger Taylor

Tax-break funds find more favour

After a lacklustre launch, VCTs are doing well – despite some residual concerns

One year after the launch of the first Venture Capital Trust, the outlook is fair for this new form of investment. Fund managers report plenty of investment opportunities, and share prices for the trusts have held up.

VCTs were introduced last year as a way of encouraging private investors to put money into small businesses. In return, they receive generous tax relief.

Income tax relief at 20 per cent is given on investment in VCTs and all returns are free of income or capital gains tax so long as the investment is held for five years. There is also roll-over relief on capital gains: if you put the gains made on a previous investment into a VCT, no capital gains tax is payable until you sell the VCT.

Venture capital trusts met with a cautious response from investors when the first batch was launched at the end of 1995 and the first quarter of 1996. Few managed to raise as much as they wanted.

However, demand for the funds is growing. The first to be introduced, the Murray VCT from Murray Johnstone, recently raised a further £1.8m, increasing the size of the fund from £18.4m to £20.2m, after requests from new investors.

Mr John Simpson, who manages the Murray VCT, is pleased with the progress the fund is making.

Managers face a difficult challenge. VCTs are only allowed to invest in companies with gross assets of no more than £10m. Furthermore, they cannot invest more than £1m in any one company in any one year.

Finding a sufficient number of good quality businesses in which to invest is not easy. But managers are required to have at least 70 per cent of their funds invested within three years of setting up the trust.

So far, Mr Simpson is on target. After the first year, he has made 10 investments, using up about a third of his funds. The average investment is £650,000 and the largest £900,000. There is a broad spread of companies in the portfolio – ranging from a garden centre in Scotland to a manufacturer of plastic bottles.

The investments have all been in relatively well established companies, rather than start-ups. Most have been to fund management buy-ins or acquisitions. The aim is to keep the risks of investment to a minimum, by avoiding early stage or start-up companies.

Advent, which runs the largest VCT, with £30m, has so far announced no investments, but says it is on course to announce disbursement of 10-15 per cent of the fund by the end of the first six months.

The Advent VCT is following a slightly different strategy from its competitors. While most are looking for well established companies with low risks, Advent is more interested in rapidly growing companies. A significant proportion of the fund is likely to be invested in the healthcare industry, where many small businesses with strong growth prospects can be found.

Gartmore, which raised £20m for its VCT in April, reports satisfactory progress.

Mr Michael Walton, managing director of Gartmore Private Capital, which manages the trust, says: "We are pretty content with the way things are going so far. It has got off to a good start".

Kentucky Fried Chicken outlet: Gartmore has given the chain £1m

Gartmore has made three investments in its first six months, accounting for about 15 per cent of its funds. Like Murray Johnstone, Gartmore is focusing on established companies. It has given £1m to a chain of Kentucky Fried Chicken restaurants in East Anglia, £900,000 to a group of engineering companies and bought shares in Cirqual, a manufacturing company, which listed on the Alternative Investment Market this summer.

Gartmore has also received requests from new investors but says it has no plans to issue more shares or launch a second fund.

"We will not rush to raise more money next year. We may do something in a couple of years but we will take it as it comes," says Mr Walton.

With managers focusing on investing the money they have already raised, there may be a dearth of new VCT offers next year.

One problem is that if an existing VCT raises new funds by issuing new shares, it does not get any extension to the time limit by which it must invest the money. Mr Simpson would like to see the rules amended so that when a fund raises new money, it is given more than three years to disburse its capital.

Investors looking for high-quality VCT investments may find they have to wait until managers have successfully invested their first trusts before they start to raise new funds.

Venture capital trusts – funds raised to date

VCT	Funds (£m)	Current situation	Closing dates
BVCA members			
Advent VCT	31.5	Quoted	March 1996
Baronsmead VCT	9.2	Quoted	Sept 1995/April 1996
British Smaller Companies VCT	4.6	Quoted	April 1996
Capital for Companies VCT	4.0	Quoted	April 1996
Close Brothers VCT	22.9	Quoted	April 1996
Gartmore VCT	19.6	Quoted	April 1996
Guinness Flight VCT	9.1	Quoted	April 1996
Murray VCT	20.2	Quoted	Sept 1995
Northern Venture Trust	14.5	Quoted	Sept 1995
Quester VCT	12.7	Quoted	April 1996
Non-BVCA members			
Pennine AIM VCT (Neilson Cobbold/Rathbone Brothers)	4.6	Quoted	April 1996
AIM Distribution VCT (Johnson Fry)	9.0	Quoted	April 1996 (To seek £850k from 8.96)

Source: BVCA. Last updated, August 12, 1996

■ **Business angels:** by Ian Hamilton Fazey

Pennies from heaven?

The idea of rich investors who take an active role in enterprise is not without flaws

Galleon Systems, a small software company that operates from Aston Science Park in Birmingham and markets computerised radio clocks and shop-floor data collection packages, got the capital it needed to expand last month. Two private investors put in a total of £100,000 after being introduced to Galleon by The Business Angels Bureau, an investment opportunities publisher based in Stourbridge, West Midlands.

The bureau is one of a number of go-between bodies set up in the past two years to introduce small businesses to "business angels" – well-off individuals who function as small-scale venture capitalists in the "equity gap" – the no-man's land between large bank loans and the threshold below which it is uneconomic for full-scale venture capitalists to invest.

A business angel will usually invest between £10,000 and £100,000, most often in exchange for an equity stake. A typical angel tries to make one or two investments in a three-year period, either individually or together with a small group of friends, relatives, or business associates who have been assembled by an "arch-angel". Like most venture capitalists, they will want a profitable exit after about five years.

Most investments are primarily in start-ups or early stage expansions, as in the case of Galleon.

There are several reasons why people become business angels. Many like the excitement of the gamble involved, or of being part of building a new business. Others, who perhaps built up a business themselves, and then became rich when it floated or sold, want to do something personal with their money and buy their way into some interesting non-executive directorships.

There are also immediate pecuniary motives: business angels have been deliberately encouraged by the government in recent budgets, which introduced or extended capital gains tax roll-over relief and retirement relief as an inducement to both entrepreneurs and their backers.

Investing in unquoted companies is therefore tax efficient. The other side of the coin, of course, is that equity investors lose all – though not the initial tax relief – if the company fails. This encourages business angels to look after their own interests by being active advisers, passing on valuable information from their own experiences or even performing a type of management buy-in function.

In theory, it's wonderful and easy – the active version of the 1980s business expansion scheme, which offered tax savings to passive investors. In practice, however, there is a hitch: there simply are not enough good projects and companies for angels to invest in. A good flow of high-quality deals has always been a problem in venture capital, whatever the size of potential investments. This means that competition for them can be stiff. Here, conventional venture capital fund managers have a decided advantage over business angels: they are more accessible to those seeking funds, relatively easy to find through directories published by the British Venture Capital Association and accountancy firms such as Stoy Hayward, or through advisers such as bankers, solicitors, accountants or stockbrokers.

Some advisers, of course, will know of angels among their private clients of high net worth but, generally, business angels have visibility problems. So how do companies and angels meet? Go-betweens such as the two-year old Business Angels Bureau, are helping to close the gap. They charge for giving their clients publicity and make money through "arrangement" fees. The Business Angels Bureau, for example, charges companies £300 for a full entry in its publications, £200 for a short one. Investors pay it £75 a year, for which they see all the company entries, which must be supported by a comprehensive business plan. If an investment takes place, the bureau gets a £1,000 fee, plus 2.5 per cent of funds raised.

The Business Angels Bureau has 50 investors on its books, up 10 from last year. However, it succeeded with only one out of 10 investment opportunities in its first year.

Last November, the BVCA published a directory listing 37 go-betweens. Included are private companies, training and enterprise councils and business links, with the occasional bank – NatWest – and accountancy firm. All its go-betweens keep lists of companies looking for angels and vice versa. NatWest Angels Service is cheapest, with no fees charged to either party. It should be remembered, however, that the directory needs updating, is no longer comprehensive and some points of contact may have changed.

Private company go-betweens often work together: for example, Venturenet, which operates in Guildford, Surrey, has links to five other networks, including the Business Angels Bureau, while the latter also has links with Venture Capital Report – now 18 years old – which operates from Oxford Science Park.

Another in the list is Haines Watts Corporate Finance of Leeds. Haines Watts is an accountancy firm specialising in small and medium-sized businesses, so like many other firms of its type, it is a good source of possibly backable businesses. It charges investors nothing to go on its register, but companies pay £150, plus 5 per cent of funds raised.

All of the go-betweens have one thing in common – a very much larger number of investment opportunities on their books than deals eventually done. Even though £16m was invested in 173 companies in 1994-95, a 51 per cent increase over the previous year, there are not enough backable deals to go round.

Many angels are struggling to find good deals, says Mr David Marsh, founder of the 50-strong Yorkshire Association of Business Angels, which formed this year so that members could share out the initial investigation of prospects and pool results to save time, money and duplication of effort.

Difficulties do not, however, always end once high-quality prospects are identified. "The other problem is that owner-managers do not want to give up equity if the business is any good," Mr Marsh says. "They see us as extensions of the banks and that is not what it is about at all. It is not as though any of us want to deprive them of a majority stake. It is all very disappointing."

Mr Marsh thinks that the field of academic research could help supply angels with projects and partners. He is currently talking to Leeds University about the possibility of financing spin-outs.

"One trouble with other businessmen is that they don't always trust a business angel's management skills. Academics usually lack them, so there is a better chance of a useful partnership," he says.

■ **Venturer of the Year winner:** by Ian Hamilton Fazey

Award takes first prize

The story of a company born in a makeshift laboratory at its founder's home

Most of the venture capital industry did not want to know Mr Ron Hamilton and Mr Bill Seden when they started looking for finance nearly five years ago. Theirs was a risky project – a high technology venture based on a complicated technical patent and involving new products. To succeed, they would have to challenge industry giants for share of well-established international healthcare markets.

In the end, they had to relocate to Scotland to get the required backing. Moreover, except for their own stake, all their support came from the public sector.

Today, Mr Hamilton, the driving force behind this adventure, can have the last laugh on all the fund managers who turned him down. His business has succeeded fabulously; his products are sweeping European markets and will soon be sold in the US and the rest of the world; he and Mr Seden have become millionaires following the takeover of their company by a US giant; and, yesterday, at a lunch at the Savoy Hotel in London, Mr Hamilton was named the UK's Venturer of the Year.

The award, now in its seventh year, is sponsored by the Financial Times, Cartier, the jewellers, and the British Venture Capital Association.

This year's winning company – appropriately enough named Award – makes disposable contact lenses that are thrown away after one day's use. They cost 99p a pair retail in the UK, but never require cleaning, so users save on cleaning fluids and kit.

They come in special packs made from the very moulds in which the soft plastic lenses are cast. These are easily distributed, delivered direct from factory to opticians for distribution to customers. Award is the only manufacturer of lenses for this rapidly growing segment of the healthcare market outside the US. It was the first to launch the product in the UK, and makes the only daily-disposable contact lenses generally available in Europe.

Mr Hamilton, a mechanical engineering graduate of Strathclyde University, began his career with Hoover, then went on to become managing director of Thorn EMI's appliances division. His next job, from 1984, was running the UK subsidiary of Coopervision, the Californian healthcare company. It was here that Mr Hamilton became interested in the concept of developing disposable contact lenses. In the face of Coopervision's indifference, he and his technical manager, Mr Seden, left the company in 1987.

Working part-time as management consultants to make ends meet, they developed a process to produce soft contact lenses using a technique called integrated cast moulding. This uses injection moulding techniques to make a two-part, highly accurate mould to the required prescription. Each ultra-thin plastic monomer lens is then cast in it and cured by heat.

The convex half of the mould is removed to leave the lens lying in the concave half, which is used as the basis for the packaging. Sterilised water is added to make the lens supple and the pack is sealed. The process means that the products are never touched by human hands until the wearer inserts them. It also enables mass production at economic prices.

Mr Hamilton and Mr Seden filed a patent in 1989 and then struck a deal with the government-backed British Technology Group (BTG) under which intellectual property rights were assigned to BTG in return for sharing royalties 50:50, and paying for worldwide patent protection.

The next two years were spent establishing the commercial and technical viability of the process in the laboratory at the back of Mr Hamilton's Southampton home, partly supported by Department of Trade and Industry Smart awards, the publicly funded scheme to promote innovation.

By mid-1992, the European Centre for Contact Lens Research at the University of Manchester Institute of Science and Technology had endorsed the process and Boots Opticians started showing interest in marketing the lenses as a Boots brand.

It was at this point that Mr Hamilton ran up against resistance from the venture capital industry. "We were certainly a year trying to get funded," Mr Seden recalls. "Eventually, we decided to concentrate on the more friendly system of grants and support for new businesses that is available in development areas. Scotland, Northern Ireland and Wales offered the best prospects and we chose Scotland."

Award was therefore established in July 1993 with a £1.5m package led by Scottish Development Finance, the venture capital arm of the government-supported Scottish Enterprise. SDF's contribution was £300,000, with £100,000 from the entrepreneurs. British Coal Enterprise, which supports job creation initiatives in pit closure areas, put in £250,000 of risk capital, while the rest of the package was made up of grants, other public sector support such as help with accommodation, hire purchase and debt finance from Bank of Scotland.

"It meant there was no private money in the venture except our own," Mr Hamilton says. "The Scottish Office got a little worried about this at the last minute but by then everything was virtually committed, so we went ahead."

Commercial production began two years ago this month and the lenses – heavily promoted by Boots – were an immediate success. Scottish Development Finance put in another £150,000 of risk capital in February 1995 as part of a £750,000 expansion and the company moved to a new factory in Livingston in November last year to allow further expansion.

Lord Blyth, chief executive of Boots and one of the 13 judges for the Venturer of the Year award, says Mr Hamilton would have succeeded without the security of having Boots as his biggest customer from day one: other opticians would have stepped in to try to establish retail market leadership. Award's customers now include several ophthalmic chains and independent opticians in the UK and Europe, although Boots remains the largest.

However, if Award's production process, packaging and ease of distribution made its product a breakthrough no retailer could afford to ignore, the same could be said of established competitors at the manufacturing end. "We had considered whether hanging on to our independence would encourage competitive entry into the market," Mr Hamilton says. They particularly feared that Bausch & Lomb of the US, the world's largest eyecare company, might make a push in Europe with its disposable lenses.

Discretion proved the better part of valour and Mr Hamilton started negotiations with Bausch & Lomb. The US company bought Award last February for £20m and intends to expand the business under Mr Hamilton's leadership.

Scottish Enterprise's share of the proceeds was £4.8m, producing an internal rate of return of more than 200 per cent. BTG has also made a substantial profit from selling some of the intellectual property rights in the production process to Bausch & Lomb.

Mr Hamilton and Mr Seden netted £11m, more than justifying the devotion of nine years of their lives to an idea so many other people thought too risky to believe in. Their job with Bausch & Lomb now will be to spearhead expansion in Europe and the rest of the world. Bausch & Lomb will also be selling the lenses in its home US market.

■ **Venturer of the Year finalists:** by Ian Hamilton Fazey

The magnificent seven

This year's sector winners were in industries ranging from air bearings to bone china

Forty-seven companies were entered for this year's Venturer of the Year award by 18 venture fund managers. The judges whittled them down to 21, from which the winners of each of the seven categories of the competition were chosen. The category winners then became the finalists for the main award.

Mr Ron Hamilton of Award won, but the other competitors were impressive by any standards.

There was Mr William Record, for example, managing director of Braebourne Spring, the small start-up champion and, at 26, the youngest finalist.

Braebourne Spring supplies spring water and dispensers to 4,000 offices, mainly in London and the south-east. A depot has been opened in Birmingham and there are plans to expand to Manchester and Leeds.

Mr Record persuaded 3i in London to back him five years ago, after he left Southampton University with a 2.1 in economics. 3i took a 25 per cent stake in a business that has trebled its turnover in the past four years to about £1.5m. Pre-tax profits have gone from £21,000 to nearly £271,000 in the same period, and net assets from £3,662 to £446,1644. The internal rate of return is 61 per cent, but the business is small, regionally based and still has a long way to go.

The winner of the scientific research based category was Mr Chris Evans, the founder of Celsis International, where he is now a non-executive director.

Mr Evans, a 38-year-old biotechnologist who has already been made an OBE, is one of Britain's most successful entrepreneurs. He has three quoted companies – Celsis, Chiroscience and Toad – which have a combined capitalisation of more than £300m. His personal stakes are worth £40m.

Keith Surbuts of Westwind: came close to Ron Hamilton *James Cheadle*

Mr Evans, who started three other businesses last year, is described by venture capital professionals as a "business archangel" and a "one-man Welsh 3i".

Celsis products test for bacteria and other live matter. Mr Evans raised venture capital from Grosvenor and others in 1992 and floated Celsis a year later, turning Grosvenor's £575,000 stake into an £8m holding. Flotation was at £1 a share and there was an 80p-a-share rights issue last year. The stock is now around 113p, with market capitalisation about £85m.

The company employs 156 people and sales for the year ended March 31 were £5.2m, four times more than in 1994-95. Pre-tax losses were £5.9m, compared with £5.3m the year before, but net assets of £9.6m included £9.1m in cash.

Mr Evans was not being judged on his whole range of activities, but on his role in Celsis alone. Although he built it up from scratch, displaying strong leadership skills, he is no longer an executive at any of his companies, and Celsis still has some way to go to achieve steady profitability.

Another strong contender was Mr Peter Dawe, former managing director of the Unipalm Group and a beaten finalist last year (see story, page 3). Unipalm, which won the expansion category, provides software for open system network connectivity and is best known for its part in the development of the Internet in the UK.

Mr Dawe also founded Pipex and brought it into Unipalm after 3i started backing the business in 1991. Unipalm floated in 1993 but was sold to UUNet of the US, a Nasdaq company, last year. 3i's investment totalled £1m and although Unipalm's valuation on flotation – £20m – gave a handsome return, this paled against the £158m UUNet paid.

Mr Dawe has now sold out of UUNet and is working on a not-for-profit basis to find ways of stopping pornography spreading through the Internet. He has also become a business angel for several small companies.

A strong run at the title was also made by Mr Stephen Riley, chief executive of the Denby Group, who won the small MBO category.

Backed by 3i's Nottingham office, Mr Riley, 42, led the £5m buy-out of the company from the receivers of Coloroll in 1990 and has rebuilt the old-established Denby pottery brand and moved it up market with a range of premium bone china. Exports have a 40 per cent share of sales compared with 9 per cent in 1990.

Denby floated in 1994 at 130p, valuing the company at £43m. When the BVCA's assessor visited the company in July to carry out due diligence enquiries, market capitalisation was £75m on a 223p share price. The judges commended Mr Riley for his professional management, his strength in design and his understanding of changing consumer behaviour.

The finalist from the turnaround category was Mr Jim Ryan, who applied his skills as a company "doctor" to a management buy-in at the Swindon-based Linton & Hurst, which stamps out high precision parts for the telecommunications and electrical industries.

The deal was backed by Schroders and North of England Ventures and although sales have risen to only an estimated £35m this year from £23m in 1993, profits are forecast at nearly £3.5m – about 15 times more than the company made four years ago. Net assets were £405,950 in 1993 and had risen to £2.35m last year.

The company was sold to TT Group last October for £16.8m and Mr Ryan, 49, has since left to look for new opportunities.

The closest contender for the overall title, however, was Mr Keith Surbuts, managing director of Westwind Air Bearings in Poole, Dorset, and winner of the large MBO category. Air bearings – in which a spindle is held in line by compressed air – enable drills used in the semiconductor industry to turn at up to a quarter of a million revolutions per minute so that very high precision can be achieved.

The company has introduced technical improvements – such as flares on the spindles, which enable them to generate their own increased compression as they spin – and has become a world leader, exporting 95 per cent of its production and winning a Queen's Award for Exports last year.

Backed by Kleinwort Benson Development Capital, which took a 58 per cent stake, Westwind Air Bearings trebled its sales to more than £26m between 1992 and 1995, while profits rose more than eightfold to nearly £8m. Westwind was sold to Cobham last December for £75m. Mr Surbuts, who is 48, continues in charge.

What British Venturers did next

Does success ever desert those named UK Venturer of the Year? Ian Hamilton Fazey investigates

Mr Bob Jones became the 1995 Venturer of the Year after founding his third successful company, Sonix, and selling it nearly 18 months ago to 3Com, the quoted US electronic communications group. He is still with the company, but in charge of new product strategy and has told 3Com he will stay until at least 1998.

He is, in fact, among four of the seven Venturers of the Year so far – including this year's winner – whose businesses have been sold to another company. Of the rest, two remain free-standing quoted companies in the UK and one is still independent and privately owned.

This is a different pattern from that found among the other 39 companies that have won their categories to reach the final of the competition since 1990. Of these, 10 have been taken over by another company, 11 remain independent, and 18 are quoted.

This means that for about a quarter of the 46 finalists so far – the 12 independents – most venture capital backers have still to make an exit. (Although some will have sold all or part of their holding to another financial institution.)

The one company to produce a Venturer of the Year that is still independent is Breger Gibson, of Holywell, on the North Wales side of the Dee estuary. The 1992 prize was shared by Mr Adrian Breger and Mr Jamie Gibson, the company's joint managing directors. They have just had a very rough two years.

Breger Gibson makes disposable nappies and had secured a good share of the own-brand market among leading retailers. But when one of its main branded competitors also went into the own-brand market and used its financial muscle to push down prices, the former venturers of the year found themselves in trouble.

Neither will talk at the moment but Mr Paul Goodson of 3i's Manchester office, their main venture capital backer, said last week the company had survived by building up its exports. "It is now in a stable position and is working on a new strategy to improve its position in the UK market. We remain happy with our investment," he commented.

Also hard to reach is Mr Peter Vassallo, the 1991 Venturer of the Year. His eponymous company in Newcastle – which had developed a


Bob Jones, last year's winner: now developing new products


Michael Peagram, winner in 1993: facing stiff competition


Peter Vassallo, winner in 1991: now 'pursuing other interests'


Tim Hely Hutchinson, winner in 1990: his share price has fallen

way of pre-packing fish for supermarkets so the product remained odour-free – was taken over by Albert Fisher the year Mr Vassallo won the award.

Albert Fisher later took over MacFisheries and Mr Vassallo played a decisive part in building sales of the business he founded to £70m a year. Turnover was £3m in 1987.

Mr Vassallo left last October by mutual consent to "pursue other interests", including motor sport. However, Mr Tim Levett of Northern Venture Managers, his original venture capital backer, says he is "resting", lying low and investigating what to do next. "He is very much a classic entrepreneur and likes to build things up. I would say it is extremely likely he will be doing something again before long."

The award gave Mr Vassallo considerable credibility in the business community and he soon found himself on a DTI advisory board.

Another Venturer of the Year to leave his business is Mr Stephen Noar, who won in 1994. A dentist, he founded Denplan, a pay-by-the-month system for subscribing to preventative dental care. The business was taken over three years ago by PPP, the private health insurer. Mr Noar helped integrate Denplan into the group and has recently retired.

The two quoted companies, both of which are still headed by the 1990 and 1993 Venturers of the Year respectively are Hodder Headline, the publisher and UK market leader in consumer books, and Holliday Chemical Holdings.

Mr Tim Hely Hutchinson, chairman of Hodder, suffered the embarrassment of having to issue two profits warnings in eight months after the collapse of the net book agreement last year. Hodder's share price fell 40 per cent and he lost Ms Sian Thomas, one of his leading senior managers, in July.

He had, however, long been a critic of the net book agreement and can therefore hardly complain about his industry's new competitive environment. Moreover, as a former Venturer of the Year, many will see him as better qualified than most to bounce back in the book industry's new era of lower prices and rising sales volumes, but tighter margins.

The story of Holliday Chemicals is in some ways similar to that of Hodder. Mr Michael Peagram, chairman and 1993 Venturer of the Year, issued a profits warning this year and lost a senior manager. However, the shares, which had been performing poorly, rose on the exit of the chief executive.

Holliday has suffered like many other chemicals companies, sandwiched between rising prices of raw materials and falling revenues as customers destocked in a poor economic climate and resisted price increases for Holliday's products.

Mr Peagram is hanging in and has cut staff to reduce costs and taken out what fat he could find in what was already a lean operation. He has also returned the business back to basics, concentrating on core areas such as pharmaceuticals and fine chemicals, colours and dyestuffs, and inorganic chemicals – moves applauded by analysts.

Meanwhile, back at 3Com-Sonix, Mr Jones, last year's winner, is wondering whether to continue his career as a "serial entrepreneur" once he fulfils his "moral obligation" to stay with the business for three years after its takeover.

"I am 49 and getting older," he says. "After three start-ups I seriously question whether I would want to do it again. The financial side has been extremely pleasing, but that was never my main motivation. I also like what I am doing."

New products he has developed include a better means of connecting local area networks of around 30 pcs to the Internet and a till-linked credit card reader. The latter comes back with an authorisation for purchase in five seconds – an improvement on the one minute taken by some competitors.

Mr Jones has also invested in four other growing businesses – all run by people he knows personally or through friends. He hates the term "business angel". "I'm a private venturer," he says. "I have been on the receiving end myself and I know something about it."

The industry in the US: by John Authers

Alarm call for American dream

Another record year is forecast for US funds. But can the good times last?

These are years of plenty for the US venture capital industry. Last year, venture capital partnerships invested $3.85bn in small companies, a 40 per cent increase on the year before, and the highest figure since 1987 – the peak of the 1980s Wall Street bull market.

In the first two quarters of 1996, venture capital funds raised and placed even more than they had in the equivalent period of 1995, according to the National Venture Capital Association. Although the pace has slackened since July, in part because of newly jittery investors, the association is still confident that business will improve to a new record this year.

Most of the funds raised in 1995 ($1.6bn, or 41.8 per cent) went towards expanding companies. Start-up investments accounted for 17.2 per cent of funds, seed capital for 6 per cent, and leveraged buy-outs and acquisitions for $338m (8.75 per cent).

Venture capitalists could also boast record profits, with an average rate of return for the year of 56.3 per cent, according to estimates provided by the Boston-based Venture Economics Information Services.

This translated into an average return over five years of 28.3 per cent, significantly better than in previous years, although arguably no more than should be expected from a high-risk sector.

But fears are widespread that these figures represent the top of a cycle, and that life will be much harder for speculative investors in the next few years.

One worry is that the sheer volume of funds the industry is attracting will ensure that such high returns cannot be repeated. Some analysts believe there is too much capital for investors to get the best possible deal, because start-up companies are stepping up their demands. The average amount invested per company last year was $3.4m, up from $2.7m in 1994, and $2.9m the year before that, and more than double the figure for 1990.

According to Mr Kelly McGough of Venture Economics: "We've seen the average investment size go up over the past few years. We aren't sure whether that's because these companies are being offered more, or because they are larger, and expect to go to market faster."

He adds: "The challenge for the rest of the 1990s is to be able to digest the large amounts of capital raised in the last three to four years and to continue investing in high-growth companies at decent values."

But Mr Mark Heesen, director of legislative affairs for the association, is optimistic: "Deal sizes aren't going up because venture firms are bidding against each other. That's what happened in the late 1980s, and it wasn't good for the industry. This time around it's much more based on fundamentals."

A second worry is that the industry has been buoyed by one-off circumstances – for example, the unprecedented market for flotations, known in the US as initial public offerings (IPOs).

Positive sentiment surrounding the computer industry, and in particular companies involved with the Internet, has created massive profits for companies listing on the stock market. In the most spectacular example to date, Netscape, the largest manufacturer of software for browsing the Net floated last year, and saw its price move within months from $28 to more than $160. By the end of the year it had settled at a premium of 289 per cent.

There have been some further high-tech flotation stories this year. For example, Yahoo!, which makes software for searching the Internet, saw its share price rise by 154 per cent on the day it floated.

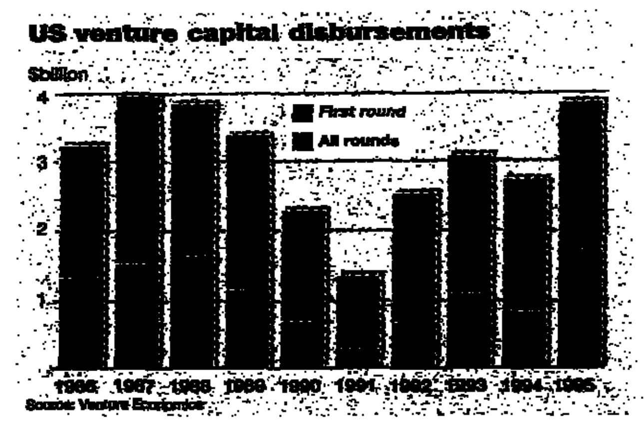
With investors in the publicly quoted stock markets prepared to bid up the prices of new companies to such an extent, it has been much easier for venture capital funds to make an exit from their investments.

But there are already signs that these favourable conditions are over. The Nasdaq share index, biased towards new high-technology companies, tumbled in early July, and has under-performed larger companies since. A well publicised example is Iomega, a maker of devices for storing computer memory, which reached $54 after its IPO this year, only to fall back to less than $20.

Smaller companies and the Nasdaq have also been harmed by a belief that the time has come to return to large "blue-chip" companies as a safeguard against a significant market downturn.

Thus it could be harder in future for venture capital funds to realise their investments. And many venture fund managers are worried that the strong performance of the public markets has encouraged small companies to demand unrealistically high prices.

US venture capital disbursements



Source: Venture Economics

Internet and computer stocks have had a lot to do with venture capitalists' good times, accounting for $760m of the industry's funds last year – more than double the total for 1994, and 20 per cent of all the funds invested last year.

Regional breakdowns also confirm that the venture capital industry has grown in areas that have a high concentration of high-tech industries, with Californian companies accounting for almost half of all funds invested ($1.82bn). Massachusetts, another high-tech centre, received $337m, while Texas got $136m.

But Mr Heesen points out that funds have helped a range of companies in other sectors. Consultancies offering technology and marketing support to the financial services sector, which is currently undergoing rationalisation, have attracted a lot of venture capital. "Miscellaneous" services, a category that according to Venture Economics includes financial services, life insurance providers and media businesses, raised the most funds last year at $374m.

Mr Heesen adds that medical and healthcare companies were not far behind the Internet stocks, attracting $547m last year.

The industry in Asia: by Louise Lucas

Feeding the hungry tigers

South-east Asian capital needs are huge, but liquidity concerns deter investors

Asia's high savings rates and emphasis on family-run businesses have done little to quell demand for venture capital: big players such as AIG Investment Corporation (Asia) receive between two and five proposals at each of its eight fully staffed offices every week.

To meet the growing demand, new funds are being launched. HSBC Private Equity, part of the global Hongkong and Shanghai Banking group, is seeking to supplement its eight funds (worth a total of US$560m) with a new regional vehicle, for which it aims to attract US$500m. Transpac Capital, which is 32 per cent owned by Development Bank of Singapore and now has funds of around US$500m, plans to raise another U$300m.

It is a relatively new market in the region. According to Mr David Paterson, managing director of HSBC Private Equity Management, Asian entrepreneurs who were unable to tap the stock market or win the backing of tycoons were literally in limbo until 12 years ago, when the institutional supply of venture capital money started.

"Ten years ago, only US$500m was available in the Asia ex-Japan market. Today, excluding infrastructure and those global funds – which all say that they have up to 25 to 30 per cent available for investing in south-east Asia – I would guess that the total pool is US$6bn," says Mr Paterson.

"It's grown enormously but it's minute compared with the capital requirements of the region. Capital needed for infrastructure in south-east Asia is alleged to be US$150bn a year for the forseeable future."

In Asia, the dynamics of venture capital are different from those in other parts of the world. There is scant interest in financing for leveraged buy-outs or management buy-outs – a symptom of the family-owned structures – and, at least at HSBC, there is a tendency to focus on Chinese businessmen. This reflects the contribution the Chinese make to economies: in Thailand, for example, Chinese comprise 15 per cent of the population but account for half the GDP, while in Malaysia the proportions are 30 per cent and 60 per cent respectively.

Mr Christopher Leong, president of Transpac Capital, says: "It's a different kind of market in Asia. In Asia because of the very high savings rate generally people can find money to start up businesses. So most of the investment available to institutions is in the growth phase."

In recognition of this, Transpac, which was formed through a merger of two separate operations in 1989, has adapted its approach. Rather than simply providing funds, it acts as a third party, helping the company expand beyond its own country.

"Our philosophy is that most of the economies in south-east Asia, including Hong Kong, Taiwan and China, are relatively small and none is totally self sufficient – unlike in the US or UK where a company can grow to a very large size relying purely on local resources and, to a large degree, local markets.

"As companies grow, they will need to expand, be it for entry into bigger markets, additional human resources, raw materials or process technology," says Mr Leong.

But if Transpac's strategy is different, its chief concerns are the same as those of venture capitalists across the region. Liquidity in Asia relates to more than an exit route: it means having the security that the investment will be realised in US dollars in cash payable offshore. Says Mr Paterson: "You are paranoid about this."

Mr Anil Thadani, chairman of Schroder Capital Partners, adds: "Exits are more tricky here because the public markets are not as developed so liquidity is not as great it is in the US or UK."

This lack of liquidity makes for high rejection rates. HSBC probably kills 80 per cent of the projects it sees purely on the grounds that it is not confident there will be an exit route within a timeframe of two to seven years; AIG reckons its kill rate is probably higher.

In China, the problems are compounded by confusion over accountability. Even in the case of state companies – which sometimes fall under different wings of government – ownership is not always clear. "The thing we are very careful about is, if the company runs into trouble who can we call upon to work with us to rescue it? Unless we are clear about that we are very hesitant to invest," says Mr Leong.

Infrastructure, one of the most capital hungry sectors in China and Asia, is embraced by a number of venture capital firms. AIG launched an infrastructure fund in 1994, and it now has funds of US$1.08bn. The investments are generally lower risk, lower return than industrial and services investments, and also have longer gestation periods.

Mr John Lin, AIG regional director, looks for returns of over 30 per cent compounded per annum in US dollars in industries and services, but on infrastructure hopes to hit the mid 20s-range.

The exit route for infrastructure deals is different from that for other projects, although in Hong Kong and China a number has recently been listed on the territory's stock exchange. Otherwise, managers look at special placements and use derivative instruments, such as covered warrants, to facilitate speedy exits.

Mr Lin is candid about the merits of a stock market listing: "We look at listing not because of liquidity but because it gives investors a better return. The tough way of making money is to earn it honestly, which is through revenues and controlling margins and the like. The easy way to make money is multiple expansion – gaining an earnings multiple through listing."

The UK does not know how to tackle talented but redundant people, says **Richard Donkin**

Nice car, shame you haven't got a job

Roy Cecil admits he had always fancied a Mercedes. Today he has one and likes nothing better than to drive it down to the dole office and collect his weekly unemployment benefit.

Cecil, aged 52, was product standards manager at BP Oil, part of British Petroleum which has an excellent record for looking after and developing its employees. But like virtually every other big company, BP Oil has been reorganising recently.

Having chosen to take redundancy rather than move to an unsuitable job, Cecil is far from the popular image of the redundant executive. He does not appear to be under stress, he is not depressed, he is not lacking in confidence.

He is a little unsure about what to do next but reckons it will probably involve coaching. He would also like to pursue a talent for writing short stories. His biggest problem is finding the right opportunity and making the right choice.

This is the predicament for thousands of able executives with excellent qualifications and years of experience working for top companies. Late in their careers, yet nowhere near the conventional retirement age, they find themselves looking uncertainly at a future never envisaged when they started their jobs.

I joined Cecil and four others with equally exemplary employment backgrounds at the latest future-moulding course run by KPMG Career Consultants, the outplacement group. All were there by choice, paid for by their former employers as part of their outplacement programmes.

Called Life/Work Design, the course is run under licence from the Crystal-Barclay Corporation of New York, a consultancy which has pioneered a process aimed at helping individuals reposition themselves and their careers. It had been billed as something special which would uncover long-suppressed yearnings or neglected talents that could be blended into a winning job formula or a plan for life – a personal mission statement.

The process was arduous, requiring us to write many accounts of events, some not work-related, where we had achieved something or performed some task particularly well. In one exercise we collected words describing certain talents, traits and abilities then assembled them into clusters that might delineate a particular career path or life goal.

Like many management exercises it was fun to do but how useful would it be in the long run? The one big benefit as far as I could see was that it brought five people close together in a shared experience.

Cecil says he believed he had gained some insights from the process but he was not sure if it would find him a job. Richard Audsley, another member of the group, said the course was useful but had one or two reservations.

"You identify and survey a particular interest and the idea is to find a job that may not have previously existed by recognising there is demand for your talents," he says. His main concern, however, was whether the UK jobs market, accustomed to the conventional vacancy/applicant process, was ready for such an approach.

Something appears to have gone radically wrong when a country is squandering the talents and collective experience of its people, its greatest national asset, on such a grand scale. How many more Mercedes outside unemployment benefit offices will it take for the government and business to understand that?

Oxbridge only

It is probably true that job selection will never be made perfect. There will always be unlucky candidates and some will continue to get jobs or embark on careers to which they are not suited. Selectors, however, owe it to their companies and the applicants to do their utmost to choose wisely.

So it was with some dismay that I listened this week to Graham Richards, professor of chemistry at Brasenose College, Oxford, venting his frustration with recruiters among City institutions.

"Over recent years quite a lot of my pupils have gone to the City," he said. "Some have been extremely able people but there have also been a number of absolute dregs. Usually they are well-connected dimwits.

"These big City firms frequently never bother to ask for a reference, and if they do, they don't ask until an offer has been made with a starting date."

This happened recently with a particularly uninspiring former student. In his letter to the recruiting company, Richards stated frankly: "I wouldn't give this man a job as a deckhand on a submarine."

He was prepared to concede that the candidate had a certain charm but added that the man had a record of fraudulent behaviour. "He took out lots of credit cards, ran up big bills, and didn't leave a forwarding address," he said.

The recruiting company, he said, picked out the one positive comment – about the man's charm – and said it considered the fraud allegations an insult. It apparently did not welcome an honest reference.

Richards said that some Oxford graduates were taking advantage of "bloody ignorant" personnel officers. "Some of these people may be able to garble on about derivatives but sometimes they are quite thick and not the sort of people I would trust with cash," he said.

The City, he suggested, was too readily hoodwinked by people trading on their Oxford cachet. "Some of these people have been to good public schools. Getting three As at A-level is not that difficult to do these days given the right sort of tuition. Then they read the FT every day and their daddy or uncle has some similar job in the City."

He knew of one graduate who had eight interviews for a position, not one of which investigated whether he had sufficient skills to do the job. Richards said that the laxity over references was peculiarly acute among City institutions.

"The problem is that they are taking in people who are incompetent and possibly potentially fraudulent early on," he said. "They ought to be more careful."

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The following tasks will have to be carried out: the drawing-up of a project plan and the preparation of a feasibility study which, based on a definition of user requirements and technical specifications, will analyse equipment and services available in the market in order to prepare eventual investment decisions. The work will involve close co-ordination with other business areas (accounting, audit, risk analysis and legal experts).

The study and project will be carried out by a Project Team (consisting of financial market/portfolio management and *information technology (IT) experts). The EMI invites applications from suitably qualified candidates for the following* positions:

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appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski
+44 0171 873 4054

Toby Finden-Crofts
+44 0171 873 3456

Volvo, the largest industrial group in the Scandinavian area, operates on a wide scale in the automotive and transport vehicle industry. The objective is to further strengthen the Group's position in the passenger car sector and to develop its position as one of the world's leading manufacturers of trucks, buses, construction equipment, marine and industrial engines and aircraft engines.

Volvo Car Corporation is the largest company in the Volvo Group and comprises all the operations related to Volvo's cars. More than 30,000 employees are employed by Volvo Cars. 1995 sales amounted to SEK 171.511 billion. It is Volvo Cars' aim to create a new exclusivity for Volvo, built on a holistic view of humanity and environmental responsibility. Volvo has a strong line of products and an aggressive product plan to attract new customer groups and to ensure competitiveness even in a harsher market climate. To be successful, Volvo needs empowered employees, actively participating with the ability to create, assimilate and optimise their competencies.

VOLVO CARS EUROPE MARKETING is the company which leads and supports the commercial system of Volvo Car Corporation in Europe. Together with its national sales companies/importors and dealers in 21 European countries, it constitutes a customer-driven organisation. Our mission is to market and distribute cars and services which meet and exceed the customers' expectations, especially in the areas of safety, quality, environmental care, attractive design and pleasure "to buy and own". The company is located in Brussels and, in its head office, it employs 80 people of 11 different nationalities. Due to the implementation of a very ambitious new organisational & product strategy, we have recently changed our organisation with the following vacancies as a consequence:

3 BUSINESS CONTROLLERS

A96.1139/FT

Position :

- You will follow up and control the business performance of several European Sales Companies and advise them on corrective actions in order to help improving the business results.
- Together with the Business Development Manager you will identify opportunities on strategical and operational level and you will assist in the business planning process in order to help the Sales Companies set their [illegible] and/or re[illegible] their activities.
- Reporting to the Manager European and Internal Control your main interfaces are all managers on national, European and corporate level with partial or global responsibility in Business Management and/or Business Development.

Profile :

- Academic degree in Finance, Marketing or Business Administration with a mature operational PC literacy.
- At least 5 years experience in a financial or business control department, preferably with an international focus.
- Your capacity to set priorities and your organisational understanding strengthen your influencing skills, whilst your ability to work under pressure and resourcefulness give you the right team spirit.

For this position VOLVO requires :

- Fluency in English and at least one other major European language.
- Willingness to travel 50 % of the time.

Offer :

- A unique chance to work for an innovative and high performing blue chip company with strong values such as reliability, safety and respect for the individual.
- The opportunity to become part of a young and dynamic team dedicated to customer satisfaction via the TQM philosophy.
- Responsible function in an international environment with people who like initiative, creativity and self-development within a company culture focused on teamwork.
- Remuneration in proportion to the challenge accompanied by a group insurance and other fringe benefits.

If this offer meets your expectations, then send as soon as possible your letter and C.V. to Volvo Cars Europe Marketing, Human Resources Department, Zellikesteenweg, 12 at B-1082 Brussels. Please mention the reference on the envelope and letter. In this selection procedure, we will be assisted by our Human Resources Advisers, MERCURI URVAL.

VOLVO

MEDIOCREDITO CENTRALE S.P.A.

Mediocredito Centrale S.p.A. ("MC"), a bank wholly owned by the Treasury, is a leading Italian financial institution providing a fully integrated range of medium and long term export credit and project relevant services. Within the Project Finance Division and Structured Export Finance Division the following vacancies exist:

Project Finance (ref. 1 PFD)

Tasks & Responsibilities

- Develop advisory work with particular emphasis in the energy sector;
- Structure limited recourse and non-recourse type of financing negotiating project agreements and contracts;
- Provide input from a transactional perspective and facilitate Export Credit Agencies mobilization and input on ways in which borrowing costs could be reduced;
- Possess strong analytical skills, a high degree of numeracy as well as a proven experience in computer modelling;
- Knowledge of hedging techniques.

Structured Export Finance (ref. 2 SEF)

Tasks & Responsibilities

- Develop and maintain relationships with Italian corporates and major international financial partners and advisors;
- Originate and manage transactions involving Italian corporates;
- Manage and co-ordinate multi-sourced and co-financed transactions involving Export Credit Agencies and International Financial Institutions;
- Extensive knowledge of the Export Credit instruments and techniques.

Profile of suitable candidates

Ideal candidates for both positions will be high calibre graduates with degree in Economics or Engineering background and/or a MBA with Finance specialisation and with at least four years relevant working experience. Excellent oral and written communication skills in English and a good knowledge of the Italian language are a prerequisite. A third European language and familiarity with desktop software would constitute an advantage. Ability to participate in, or effectively work with, a multi-disciplinary team and to operate flexibility in a multiple project environment are essential. The candidates will be considered for both MC's headquarters and Singapore offices. A good knowledge of the Asian market and operative experience in the Area will constitute a preferential element for the Singapore office position. The compensation package for these positions will reflect the importance of attracting high calibre candidates who can provide a significant contribution in a compact and highly motivated team. Applicants whose experience matches our requirements are invited to write in strictest confidence, providing a C.V., present remuneration details and contact telephone numbers, indicating which position they are applying for, to:

Personnel Director - Mediocredito Centrale S.p.A. - 51 Via Piemonte, Rome 00187 Italy
Fax no: (39-6) 479.1299

Swiss Bank

Our client, an international bank specializing in the private banking sector based in Ticino in southern Switzerland, is seeking an individual aged between 30 and 35 to work in its fund management division as

Financial Analyst / Fund Manager

As a fund manager for the bank you will be responsible for the performance of equity funds focusing in particular on south-east Asia and Japan. You will be involved in setting up new fund products *and in the publication of relevant* documents.

Our client seeks an independent, outgoing individual who enjoys team working. He or she should have a high degree of individual initiative and perseverance and excellent communications skills.

Candidates should have a degree or equivalent, specialist knowledge of *financial markets in Japan and south-*east Asia, several years' experience in finacial analysis and fund/portfolio management.

Good English and at least spoken Italian are essential. German would be an advantage.

If you would like more information about this challenging role, please contact Mr. H. E. Scholz (Phone: +41 1 221 [illegible], Fax: +41 1 221 1461) or simply send in your written application and CV (with photograph) to the adress below.

All applications will be treated in strict confidence.

VfU-Management Consulting & Executive Search Ltd., Löwenstrasse [illegible], 8001 Zürich, Switzerland
Zürich Frankfurt Mailand

1973 VfU 1996

Institución Financiera de Primer Nivel, requiere incorporar a su Sala de Tesorería

Operadores

Futuros y Opciones en Divisas	Ref. MAD-C-0909
Deuda Pública Peseta	Ref. MAD-C-0910
Distribución	Ref. MAD-C-0911

Remuneración Competitiva **Madrid**

Singular oportunidad para jóvenes experimentados y con alto nivel de potencial para desarrollar sus carreras en una entidad consolidada.

POSICION

- Incorporándose a un equipo especializado, se responsabilizará de las operaciones de su área en el mercado, existiendo una proyección a futuro de poder asumir otros productos financieros dentro de la Sala.

PERFIL

- 2-7 años de experiencia, en posición similar en una entidad de prestigio.
- Titulación Superior y con profundos conocimientos de su área de especialización, y de los mercados financieros en general.
- Dominio de herramientas informáticas de análisis. Buenos conocimientos de inglés.
- Orientación hacia resultados, autonomía, flexibilidad, y potencial para operar en un entorno multiproducto.

Todas las candidaturas serán tratadas con absoluta confidencialidad. Rogamos a los interesados llamar o enviar curriculum vitae, indicando posición de referencia, a:

Empresa Asociada a NB SELECTION Ltd. y a Seeliger y Conde, NBI.

NBS

NBS EUROMANAGER, S.A.
C/ Padilla, 1 - 28006 Madrid
Int Tel. (341) 575 1200
Int Fax. (341) 575 2448

PH.D QUANTITATIVE ANALYST

c£50,000

An Analyst with an outstanding academic/professional background is sought by the structured derivatives group of a leading US investment bank.

You will have completed a Ph.D in Engineering/Physics/Mathematics at a leading University. In addition you will have a minimum of one year's derivatives research experience and will be conversant with statistical and computer modelling techniques.

The role will involve trading risk, research and technical analysis with responsibility for pricing and packaging products. To meet the above criteria you must have the ability to interpret the ideas of traders and salesmen into mathematical models which demands exceptional interpersonal skills.

Please contact Ivan Collins in the strictest confidence.

Michelangelo

Michelangelo Associates, Search, Selection & Recruitment
2-6 Austin Friars, London EC2N 2HE
Tel: 0171-972-0150. Fax: 0171-972-0151/2.
Email: recruitment @ michelangelo.co.uk

CORPORATE FINANCE LBOs/MBOs

Salary £60,000 **plus substantial bonus + banking benefits**

Our client is a global investment bank with an impressive track record in the provision of corporate advisory work. They now seek to expand their LBO/MBO portfolio.

The Position

- Identify, negotiate, structure and distribute LBO/MBO debt.
- Originate selective participations and underwriting mandates.
- Develop and maintain relationships with investor companies.
- Provide advisory services to clients disposing of businesses or complex acquisitions.

The Candidate

- Ideally aged between 28-34 and educated to degree level.
- Must have relevant experience of all aspects of LBO/MBO transactions.
- Successful record of advising on highly leveraged projects.
- Excellent communication and analytical skills are a pre-requisite.

Exceptional prospects available for highly motivated candidates keen to develop their career. Please apply in the first instance to Claire Esson or Deborah Dor.

Devonshire executive

[illegible] Email: Exec@Devonshire.Co.UK

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IBCA

EUROPE'S LEADING RATING AGENCY

BANK ANALYSTS

Native Eastern European language speakers with good written and spoken English are required. Candidates must have at least three years post graduate relevant experience with an Eastern European national bank at supervisory level. Post graduates of a US/UK university preferred.

Write in confidence with full C.V. to the Managing Director.

IBCA is the leading European rating agency, currently covering 500 banks worldwide and over 100 European corporations. As a result of expansion we are seeking additional analysts. The positions involve travel, contact with senior officers of financial institutions, preparation of high quality credit reports and advising clients on the credit status of rated entities. IBCA's growth offers candidates the ability to become acknowledged experts in the field of rating assessment.

Successful applicants will be those able to communicate well both orally and in writing and will be capable of confidently representing the firm in a professional manner at meetings with senior management of rated entities. Salaries will be competitive and commensurate with qualifications and experience, and the company offers a generous range of benefits.

IBCA Limited

Eldon House, 2 Eldon Street, London EC2M 7LS

A CAREER IN THE CITY

In experience won't hold you back. If you're aged 25-35 with ambition and energy, you could train as a consultant with one of the UK's leading financial services organisations. Outstanding opportunities to move up in management. For details, call LEWIS SMITH 0171 248 1162

FT FINANCIAL TIMES

Les Echos

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Toby Finden-Crofts on +44 0171 873 3456

Recruitment Specialists for the International Bond and Derivative Markets

US GOVERNMENT BOND SALES Experience and established client base essential	£HIGHLY NEG
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FIXED INCOME SALES Specialists required with established client base to cover: Germany, Middle East, Benelux, United Kingdom, Switzerland, Scandinavia	£NEG
LIBOR BASED PRODUCT SALES Knowledge of FRN's/Structured Products/Emerging Markets.	c£70K

For a confidential discussion please call : Sheila Cohen, John Thorne or Ray Turnbull

OTE

The Hellenic Telecommunication Organisation (OTE) is the largest company in Greece. It ranks in the top 500 companies in Europe and its profits are larger than those of the top 50 Greek industrial companies taken together.Its listing on the Athens Stock Exchange in 1996 was a major event and marked the departure from the traditional state owned utility mentality.

Since 1990 OTE is investing on average USD 400 million per annum in technological upgrading. OTE is now facing the challenges of the 21st century; newer technologies, new services, new markets, even faster pace of change, stronger competition and a gradual integration of telecommunications and systems.

The Board of Directors of OTE have decided to appoint a new Managing Director, and member of the Board, to provide leadership for:

- completing the current technological transformation and moving into the next one
- expanding the telecoms services market in Greece
- opening up opportunities in the international telecoms markets
- mobilising the necessary resourses and developing the competencies required
- shaping up the organisation for meeting the challenges of the future

MANAGING DIRECTOR

The ideal candidate for this most demanding job should demonstrate proven experience and a track record of success in managing large organisations. Direct experience,for at least five years, in the telecommunications and systems industry in Europe and the USA is a prerequisite.

Leadership, strategic thinking, result orientation and an appreciation of complex environments are the key attributes sought for by the Board of Directors. Candidates must possess a university degree, preferably accompanied by post graduate studies, excellent health, excellent communication skills and an excellent command of the Greek and English languages.

The remuneration on the basis of a five year contract, will be in line with the responsibilities and requirements of such a post and will incorporate a substantial results related element.

If you feel that your profile fits this challenging job send your CV, up to September 30th 1996 to:

KANTOR

KANTOR Management Consultants S.A.
4 Vas. Sofias Ave.,
106 74 Athens,
GREECE
Fax: (0030) (1) 72 49 528
E-mail address: Kantor @ beryl.kapatel.gr.
Ref: CVD/MD1

All applications will be treated in strict confidence.

Investment Analysts

CDC is a multimillion dollar organisation which specialises in economic development in emerging nations. We undertake commercially and economically viable investments in the rapidly de-regulating business environments of developing countries and have extensive interests in enterprises which include manufacturing, agribusiness, minerals and infrastructure. This year we expect to invest over $450 million in new ventures around the globe.

Our Investment Analysts plan and manage comprehensive investment appraisals, these being a major element of the investment decision making process. Analysts work closely with our local representatives and potential partners in the assessment of risk, and the structuring of deals.

To be considered you will need to be Degree, ACA or MBA qualified, with a keen interest in the developing world, and at least 3 years' experience of investment analysis. Interpersonal and project leadership skills are essential, together with a detailed knowledge of computer based investment modelling. commercial awareness and the ability to produce well argued business cases.

The positions are based in our London office. There will, however, be regular international travel to CDC's major markets. Good career prospects exist in London and at a later stage in CDC's extensive overseas operations. Our salary package will reflect the skills and expertise required for these influential roles.

To apply please write with a full CV, enclosing details of current salary and quoting reference number 2591, to: **Marie Grealy, Human Resources Executive, Commonwealth Development Corporation, One Bessborough Gardens, London SW1V 2JQ. Fax: 0171 963 3953. E-mail: mgrealy@cdc.co.uk**

CDC is an equal opportunities employer.

CDC BRITAIN INVESTING IN DEVELOPMENT

Global Business Controllers

Zurich

Our client is a prestigious global banking organisation. Enjoying sustained profitability, an excellent credit rating and an enviable client base, it is one of the strongest and most stable forces in international investment banking and securities trading.

Headquartered in Zürich, the global product control function is being developed further to enhance the quality of support and analysis provided to senior management and to the trading businesses. The current need is to strengthen capacity by adding experienced professionals to the existing team.

Candidates will ideally have at least five years' exposure to P&L and market risk product controlling within a sophisticated investment banking environment. As numerate graduates and probably qualified accountants, they will have the confidence to deal with colleagues and business managers at all levels and the capacity to add value from a business development perspective. Key attributes will include:

- **Intelligence, mathematical abilities, IT literacy and analytical skills.**
- **Product understanding, ideally of equities, commodities, FX, money markets and their derivatives.**
- **Management experience of product controlling and/or operational risk management, to include P&L reporting, portfolio valuation and risk monitoring. Knowledge of option theory and economic analysis would be ideal.**
- **A good grasp of VAR techniques; experience of sensitivity and volatility analysis.**
- **Business understanding, organisational abilities and excellent relationship management skills.**
- **Maturity, credibility and the potential to make a long term contribution to a premier global institution.**

Individuals will be based in Zurich and a three year commitment to Zurich would be preferred. As such, in addition to fluency in English, some knowledge of German would be useful. In these high profile, business focused roles, remuneration will not be a limiting factor and career development prospects are excellent for individuals of the high quality required.

Please write to our advising consultant Janet Bullock at BBM Selection, quoting reference 406 and enclosing a full Curriculum Vitae that includes contact telephone numbers. All applications will be handled in the strictest confidence.

76, Watling Street,
London EC4M 9BJ, UK

BBM SELECTION

Tel: 00 44 171 248 3653
Fax: 00 44 171 248 2814

US Equity Fund Management

£Excellent + Benefits

PDFM is one of the UK's largest fund management companies with over £50 billion under management. PDFM is a subsidiary of UBS Asset Management London Limited, part of the "AAA" rated Union Bank of Switzerland. While perhaps best known for the active segregated management of pension fund portfolios, PDFM also offers a full range of products to meet the fund management needs of corporates, local authorities and charities.

With nearly $1 billion invested in US equities, our investment team is planning to add a Fund Manager with strong knowledge of the US Equity market. Each Fund Manager within our small US team has analytical responsibility for a broad spectrum of the market. It will be important for anyone joining the team to understand the PDFM philosophy of value investing.

The ideal candidate will:
- have a number of years' experience of detailed research of US companies
- be capable of working as part of a team (but at the same time possessing independence of thought)
- have a clear and structured approach to stock selection and portfolio management.

We can offer:
- a well-established, sizeable and successful business profile
- a strong emphasis on team work
- a relaxed but professional and supportive working environment
- a highly competitive remuneration package including discretionary performance award, housing allowance, non-contributory pension scheme and private healthcare.

To apply, please write enclosing your CV to:

Denise Howell
Head of Personnel
UBS Asset Management London Limited
Triton Court, 14 Finsbury Square
London EC2A 1PD

UBS Asset Management London

Swaps/Options Broker – Japanese Clients

£60k Plus Bonus

Our client, one of the most successful broking houses in London, with offices in New York and Hong Kong, is undergoing considerable development within its Japanese client base.

In order to enhance its global presence in interest rate swaps and options, we now wish to appoint a Senior Japanese Broker.

You will need: At least 7 years experience of trading Japanese Yen money market products; education to degree level; fluency in written and spoken Japanese and English.

An understanding of Japanese business practice and etiquette gained from working in Japan is essential as well as proven managerial and team building ability and excellent marketing skills.

For a confidential discussion please contact Nigel Haworth,
Telephone: 0171 236 2400, Fax: 0171 236 0316 or apply in writing to:
Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

CJA RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
Fax No. 0171-256 8501

Opportunity to enter a broadly based operation with prospects of medium term advancement to top management.

INVESTMENT MANAGEMENT
FIXED INCOME, FX AND EQUITIES

LONDON, NEW YORK, MONTE CARLO **£40,000-£60,000**

VERY LARGE PRIVATE INVESTMENT TRUST

Our client has a record of being in the forefront of financial markets. Applications are invited from candidates aged 25-30, graduates with a minimum of 3-4 years successful, practical experience in fixed income or FX Sales or investment Management in a leading bank or investment house. The successful candidates will operate as part of a small close knit investment team covering fixed interest, FX, precious metals, equities and real estate and will make recommendations and follow those markets. The qualities of an analytical focused mind, presence and the ability to communicate lucidly both orally and in writing are important. Initial salary negotiable £40,000 -£60,000 + pension, life assurance, family medical and relocation expenses. **Applications in strict confidence under reference IM 5745/FT to the Managing Director, CJA, 2 London Wall Buildings, London Wall, London EC2M 5PP**

EQUITY TRADER
EUROPEAN MARKETS

Excellent opportunity to utilize your comprehensive knowledge of European trading and markets with an expanding, well-respected securities investment firm. Located in Chicago, this Night position requires that you work during European market hours. Responsibilities will include:

- Executing trades
- Serving as a resource on currency exposure issues
- Assisting the Portfolio Manager—International Investments in identifying global and regional market developments
- Developing and maintaining professional relationships with outside investment brokers as well as other resources

The successful candidate has 2-3 years background in trading European equities and an understanding of global equity markets. Must be capable of working independently, have good judgement and show initiative.

We offer a competitive salary and benefits package to complement your expertise. Send/FAX resume, with salary history, to: 312-587-3845, Human Resources—FT918, 25 E. Erie St., Chicago, IL 60611. EOE mfdv.

DRIEHAUS CAPITAL MANAGEMENT, INC.

INSTITUTIONAL FIXED INCOME SALES

Fixed Income relative value sales desk seeks qualified individuals to join sales effort focusing on global Sovereign Debt & Derivatives Securities such as listed & OTC options, swaps, swaptions, structured products, etc. This group is part of a major international bank with AA credit. All of Europe, Middle and Far East open for coverage.

Please fax your resume to Dublin office (353) 1 605-0480, Attention: European Sales.

ACCOUNTANCY APPOINTMENTS

Admittedly, some people are harder to find than others.

Despite a substantial investment in time, money and resources, Lord Lucan has continued to prove elusive.

Many organisations can relate similar experiences about their endeavours to identify their key executives – be it a new Chief Executive, a Board Director or a senior manager.

Questor International aims to bring a new dimension to the search for top executives by combining a fully, integrated resourcing service with a proactive and refreshingly open and honest approach to senior management recruitment.

A newly formed subsidiary of Michael Page Group PLC – Europe's most successful recruitment group – Questor has been established to replace the staid and often unimaginative approach of the traditional search and selection consultancies. Providing a tailored solution, which incorporates sourcing through headhunting and/or advertising, we aim to deliver results in an efficient and cost effective manner. We aim to remove some of the (supposed) mystique surrounding search. Executive resourcing does not require rocket science – just a positive and thorough approach to solving the problem.

If you would like more information about Questor International and its services, call our Managing Director, Jerry Wright, on 0171 292 8300 for a confidential discussion or write to him at 3 Burlington Gardens, London W1X 1LE.

Unfortunately, we are very unlikely to find Lord Lucan, but we can promise to bring a fresh approach to your executive search.

QI
QUESTOR INTERNATIONAL
A Michael Page Group PLC Company

Group Finance Director

Acquisitive MBI

Package to £100,000 **Location Flexible**

Rare opportunity to join dynamic MBI team, *assembling group to dominate mature market.*

THE COMPANY
- Target £150 million turnover; £10 million plus profit. Engaged in trading, distribution and manufacturing for multisite operation.
- Exceptional calibre of management; strategy to dominate domestic market through acquisition and organic growth.
- *Funding secured to continue strategic acquisitions.* Exit route within 5 years.

THE POSITION
- Key member of high-powered board. Responsible for quality, content and timely production of management information and statutory and investor reports.
- Financial and tax planning for individual deals and for group. Rigorous cash management and control.
- Strategic input on all business issues. Key functional role in acquisition due diligence.

QUALIFICATIONS
- Strategic thinker with exceptional drive, tenacity and communication skills, supported by rigorous financial discipline.
- Experience in dynamic, acquisitive environment. Credibility in City. Ability to contribute across all functional areas.
- Clear business acumen, top level financial control experience. Robust qualified accountant with stature and confidence.

Please send full cv, stating salary, ref BI60905, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

N B SELECTION LTD
a BNB Resources plc company

NBS

Tel 0121 233 4656 • Fax 0121 233 4332
Aberdeen • Birmingham • Bristol • City
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Manchester • Slough • Madrid • Paris

Management Accountant

London & International **c £40,000**

Our client is one of the world's foremost natural resources groups with annual revenues in excess of US$3billion. The group is active in worldwide exploration, mining, processing, marketing and trading of non-ferrous metals and minerals.

Internal restructuring has created a *high profile role* which will be based in the London office but require extensive global travel. The key responsibilities of this appointment will be:
- Analysis and interpretation of financial performance of commodities at both operating company and group level.
- Reporting and presentation of results to finance and non-finance managers within the operating companies.
- Key member of multi-disciplinary project teams where financial evaluation and analysis skills are required.
- Ad-hoc reporting assignments.

The successful candidate will be a qualified chartered accountant with at least two years' post qualification experience. Training gained within Corporate Finance, Management Consultancy or a management reporting capacity within a internationally focussed organisation will prove valuable. This fast track opportunity requires a highly ambitious candidate who can liaise effectively outside the finance function and provide commercially focussed interpretation and analysis. Strong *systems skills will* be essential. For the successful candidate a challenging career in the international arena with exceptional rewards is available.

Interested applicants should apply in writing enclosing a full curriculum vitae and details of current and expected remuneration packages to Guy Stacey, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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SYNDICATES FINANCE MANAGER

PREMIER MANAGING AGENT AT LLOYD'S

CITY **ATTRACTIVE PACKAGE**

- Exceptional newly created role with Murray Lawrence & Partners Limited (ML&P) a highly regarded Managing Agent at the forefront *of the "new Lloyd's". ML&P is merging* its 6 syndicates into a single "umbrella" syndicate with £500m capacity – the largest in the market. The Group is creating an Integrated Lloyd's Vehicle (ILV) and a public quotation is planned for the near future. Excellent career prospects.
- Highly visible role designed to strengthen and upgrade the quality of financial management and to provide strong, authoritative leadership to the syndicate accounting teams.
- Need is for a qualified accountant preferably with a thorough understanding of syndicate accounting. Skilled project manager with proven IT and team management abilities.
- The initial priority will be to integrate the standards and systems to facilitate appropriate financial policies for the ILV and umbrella syndicate. Huge scope to influence the business going forward during a time of unparalleled change.
- Commercial, astute finance professional. Well developed operational skills allied to strong conceptual thinking abilities. Detailed minded, a completer/finisher by nature. Practical approach to problem solving and a 'do it now' mentality.
- Resilient personality – not easily overawed. Results orientated with a clear focus on delivering measurable benefits. A team player by nature but single minded in the pursuit of rigorous financial and operational standards.

ML&P

Please apply in writing quoting reference 1221
with full career and salary details to:
Phil Bainbridge
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

OPERATIONAL AUDIT

Bucks **to £35,000 + F/E car + excellent benefits**

Our clients are a £400m turnover region, part of a £3bn world-wide group which is head-quartered in the UK. The group is a major force in its FMCG sector with several high-profile brands. It operates in aggressively competitive markets demanding the highest standards of excellence in all aspects of the business. In response to this environment small high calibre teams have been established at regional level to provide an independent investigative resource.

Promotion has provided an opportunity to join such a team covering operations in the UK and parts of Continental Europe, Africa and the Middle East. The role provides a high degree of personal autonomy, evaluating financial and operational control procedures, assessing risks and opportunities and defining, in concert with local management, an action programme. Success in this job will provide excellent operational credibility and contacts as a basis for career opportunities.

Assignments last typically 2 - 3 weeks with some 25% travel outside the UK. The role calls for a working knowledge of French or a commitment to attain this level of competence. Applicants must be qualified and preferably have trained with a "Big 6" professional firm or a major industrial company.

Please write with full cv, including salary history and daytime telephone number quoting reference 1774/FT, to Dick Phillips, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Telephone 0171 493 0156.

Phillips & Carpenter
Search and Selection

هكذا من الأصل

Corporate Development Manager

Exceptional ACA/MBA

North of London | **£ Excellent + Car + Bonus + Options**

As a FTSE 100 company with a turnover in excess of £7bn, our client is firmly established as one of the UK's leading retail organisations. With an outstanding recent track record and a pre-eminent position in its markets, the Group is poised to undergo a period of significant growth. The company culture is entrepreneurial and competitive, with a strong emphasis placed on achievement.

There now exists a requirement to augment the Corporate Development function with the appointment of an exceptional professional. The successful individual will work in a multi-disciplinary team, reporting to Main Board level and will have responsibility for:

- Aiding in the determination of overall corporate strategy.
- Identifying and appraising new expansion opportunities.
- Evaluating, testing and implementing new retail formats.
- Assessing potential acquisition targets.
- Commercially evaluating proposals and preparing commentaries and recommendations for the Board.

It is important to note that this team is integral to Group development and is widely seen as a catalyst for change throughout the organisation.

This opportunity will appeal to a highly commercial ACA or MBA (aged 27-32) who is currently with a leading firm of strategy consultants, a 'Big Six' accounting firm or performing a similar role within a major corporate head office. Prior experience gained working within a retail environment, possibly in a project management role, would be desirable, although not essential. Individuals should be able to demonstrate high levels of academic achievement, communicate effectively at senior levels, and be capable of thinking laterally across a broad spectrum of commercial issues.

The rewards include an excellent remuneration package encompassing substantial bonus potential, company car and share option package. In addition, rapid career progression in financial or general management is envisaged.

Interested applicants should write, in the strictest confidence, to our retained consultants Brian Hamill or David Craig at Walker Hamill Executive Selection, forwarding a brief résumé quoting reference BH2543.

WALKER HAMILL

EPL Technologies (Europe) Ltd.

Financial Controller

The Company: EPL Technologies (Europe) Ltd. is the European arm of an American organisation with businesses in North America and Europe. Presently the European division consists of two flexible packaging businesses in the UK. In the near future it is planned to expand the flexible packaging business into other European countries and to start indigenous operations in other related businesses.

The Role: The Financial Controller will report to the European Chief Executive Officer and will be responsible for effectively managing the accounting resources of the organization. In addition, the Financial Controller will be responsible for the business administration of the European companies and will need to ensure that all secretarial responsibilities are met. The successful candidate will have strong financial skills and must be capable of creating financial and business systems in a rapidly expanding business environment.

The Candidate: A qualified accountant with an MBA and at least three years managerial experience is required. It is essential that candidates are literate in the various types of computer systems and information technology required to operate the European subsidiary of an American company. Candidates must be able to demonstrate both a track record obtained within a highly competitive price sensitive industrial market and the ability to communicate with all levels of the organization. Working knowledge of another European language would be an advantage.

The Package: A salary of more than £35,000 per annum, expenses, car, private medical insurance and a contributory pension scheme are available to the ideal candidate. The location is Cheshire.

Interested applicants should write enclosing their full CV and current remuneration package to:

Derrick Lyon, DWL Associates Ltd., Nook House, off Cliff Lane, Acton Bridge, Cheshire CW8 3QP

WalkerGreenbank PLC

GROUP FINANCE DIRECTOR

c£120k plus PLC Benefits | **Western Home Counties**

An outstanding opportunity to add value to a focused, vertically integrated, international, growing and ambitious PLC.

Walker Greenbank PLC are a group of companies which design, manufacture, market and distribute wallcoverings and furnishing fabrics to the commercial and top end consumer markets.

Led by a focused and energetic management team, the group's turnover has more than doubled in the past 5 years to £100m, and 35% of sales now come from the group's operations in Europe, the US and the rest of the world.

Your key role will be to work closely with your colleagues in defining, communicating and implementing innovation that leverages value from the group's assets and activities. With ultimate responsibility for financial management, control and reporting, you will also play a key role in communicating with investors.

To succeed you are most likely to be an ACA with at least 10 years commercial experience in an international marketing and distribution business with at least some manufacturing elements. Your personal qualities will however, be as important as your experience. Analytical and innovative, you will possess the drive, energy and zeal as well as the outstanding inter-personal and communication skills that will help you to press home the group's initiatives.

This opportunity to make a substantial contribution at the heart of this dynamic company should not be missed. For the right candidate, the package will be flexible and will take account of your current remuneration and contractual situation.

The head office is currently relocating to a rural location 25 miles west of London with excellent access to the M4, M40 and M25.

To apply, in strictest confidence, send a CV to Stephen Finley at Mercuri Urval Executive Service, Spencer House, 29 Grove Hill Road, Harrow, Middlesex HA1 3BN quoting ref: SF/FD/WG or call 0181 863 8466.

Mercuri Urval

Executive Service

FINANCE DIRECTOR

c. £45-50k + Bonus + Car + Benefits

Based in Leeds | **Manufacturing**

Demanding role within large UK based blue chip organisation. Outstanding career development opportunities in progressive culture.

The Role:

- Financial control of a growing and profitable premier site employing 350 people
- Autonomous business, part of dynamic group of companies
- Assume financial responsibility for £45 million turnover
- Duties will expand in line with major investment programme
- Senior member of site management team with strategic responsibility
- Lead a highly developed and successful finance department
- Customer focused company

The Person:

- Outward going, strategic and creative - not a numbers person
- Persuasive, robust leader with high energy and excellent negotiating skills
- Graduate calibre with successful Director level track record
- Committed to investors in People, ISO9002 and World Class Service
- Qualified Accountant min. 5 years PQE

Please write enclosing a CV and current salary, quoting reference FT337, to Adrian Whitbread, Whitbread Beckett Welch Ltd, Old Bank House, 79 Broad Street, Chipping Sodbury, Bristol BS17 6AD. Please state in a covering letter any companies to whom you do not wish your application sent.

WBW

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LIMITED

HEAD OF INVESTMENT TRUST OPERATIONS

Premier Investment Company | *Experienced Chartered Accountant*

One of the City's largest and most highly respected UK investment management companies is continuing the expansion of its investment trust operation.

You would be filling a new post as Head of Operations which will bring together the accounting and company secretarial services to support the expansion. Key tasks will be establishing personal credibility with the trusts' Boards, managing the increasing volume of company business and fundamentally reviewing administration and accounting systems.

If not with directly relevant experience in the investment trust industry you must be a Chartered Accountant used to operating at plc board level, with some experience of investment trust companies. Age 30-50.

Please write in confidence, giving full details of your experience, to Terence Hart Dyke, consultant to the company, at BDC Search, 63 Mansell Street, London E1 8AN.

SEARCH

EASTERN EUROPE FUND MANAGER/ ANALYST MBA/SCIENCE GRADUATE

- Good fund performance managed in variety of markets, via economic, interest rate and currency analysis.
- Credit research experience and training from top city institutions.
- Interested in relocating to Prague

Write to box A5693, Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLERS. **HAVE YOU SEEN THIS MAN?**

Bryan Levine, Financial Director of a dynamic, high profile W1 advertising agency is now interviewing for a Financial Controller to work closely alongside him.

"The successful candidate will eventually be expected to succeed me in this fast growing company. I am looking for a self-motivated individual, who is not afraid to express opinions and act on their own initiative ...someone with ambitions as lofty as our modern, landmark building. FAX your CV on 0171-636 1119 or E-Mail me at Blevine @ Leagas.attmail.com." Minimum qualifications ACCA or ACA finalist. Salary and benefits in line with experience

WE ARE AN EQUAL OPPORTUNITIES EMPLOYER. WHETHER YOU WEAR A SUIT OR NOT IS UP TO YOU

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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone: Toby Finden-Crofts on +44 171 873 3456

COOPERHEAT

FINANCIAL DIRECTOR (DESIGNATE) - NORTH WEST REGION

We are the UK based head office of an international group, recognised as a world leader in our technically specialised, site services industry.

Reporting to the Managing Director of the UK operating company you will be responsible for day to day financial management and control together with company secretarial functions but will be expected to rapidly expand your influence to include participation in the strategic development of the business across all disciplines. The opportunity will exist for subsequent appointment to the Board of the International Group company with additional responsibility for co-ordination of financial planning and reporting within the group.

Candidates must be qualified accountants, ambitious and self-motivating with a practical, communicative style. Able to quickly master detail to effectively manage the function and then to further develop the department to improve the quality and timeliness of reporting and control. A hands on, committed approach to this challenging opportunity, within a successful and progressive organisation, will be essential. In return a salary of £32k-£35k with an excellent benefits package is envisaged.

Applications, to include a hand-written covering letter, curriculum vitae and detailed salary history, should be marked confidential and submitted to:

The Managing Director, Cooperheat (UK) Ltd., Fylde Road Trading Estate, Southport PR9 9YF.

INTERNATIONAL PETROLEUM EXCHANGE

LONDON · **EXCELLENT PACKAGES**

New critical roles, created at a time of significant change within the IPE, Europe's energy futures and options exchange. Under the direction of a newly appointed Chief Executive both positions offer major challenges as the IPE rapidly expands its role in the world's energy markets.

SENIOR VICE-PRESIDENT – COMPLIANCE & INTERNAL AUDIT (Ref. 1231)

- Reporting to the Chief Executive. Designed to provide a proactive source of advice and guidance on all regulatory matters and promote increased awareness of compliance issues. Considerable liaison with regulators and member firms.
- Leading the 6-strong compliance/internal audit team, prime responsibility is to formulate and implement the IPE's regulatory plans to ensure that all regulatory objectives are met. Additional responsibility is to supervise internal audit function and to develop risk management programme for the Exchange.
- Key requirements are previous compliance experience gained in a futures and derivatives associated area. Audit experience preferred.
- Considerable personal presence and authority. Strong intellect, effective management skills, clear thinker and decisive decision maker.

VICE-PRESIDENT – MEMBERSHIP & CONTRACTS (Ref. 1232)

- Overall brief is to ensure the development of IPE contracts and markets is consistent with both IPE's regulatory and commercial objectives. Reports to the Executive Vice-President – Business Development, leading a team of 4.
- Wide ranging role requiring extensive liaison with external legal advisers, Members and trade bodies. Tactical implementation of policy and overall operation of rules. Core activities include ensuring IPE regulations meet statutory requirements and best market practice, that members continue to meet membership requirements, and for overall monitoring and quality control of contracts.
- Candidates should have legal experience gained within a similar financial services environment – eg futures, possibly a broker, clearer, or OTC.
- Confident with strong interpersonal skills and high level of credibility. Must be commercial and business orientated, with well-developed team management skills.

IPE INTERNATIONAL PETROLEUM EXCHANGE

Please apply in writing quoting reference 1231 or 1232 with full career and salary details to:
Phil Bainbridge
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

FINANCIAL CONTROLLER

Applications are invited from Accountants with at least 5 years experience in a cash management, internal audit and asset management environment, to assist directors as a financial controller in the areas of portfolio management, risk analysis, preparation and interpretation of statistical data and financial reports. The candidate would be required to have a good knowledge of the stock and bond markets and financial regulations. Must be skilled in computer operations.

Application, including CV, to Margaret Elliott AMAS UK LTD., 16 Charles II Street, London SW1Y 4QU

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HEAD OF INTERNAL AUDIT

City — Circa £60,000 plus bonus

Our client is the investment banking arm of a highly successful international bank with assets in excess of US$200 billion. They offer a full product range in capital markets and derivatives. Having built an unrivalled reputation in risk analysis, they are currently at the forefront in the development of risk management tools.

Due to their success and expansion they now wish to appoint a senior manager to lead and develop their internal audit team. Reporting directly to the Chief Executive this high profile role will include:

- Planning and reviewing key financial and operational risks within the group
- "Hands on" consulting to individual business areas and senior line management
- Risk appraisal of all financial instruments including fixed income, equities and complex derivatives
- Analysis of the most advanced risk management methodologies
- Control, management and expansion of the department

Successful candidates are likely to have the following background:

- Qualified Accountant or MBA with a minimum of 5 years' financial services experience from an Investment bank or Big Six accounting firm
- In depth product knowledge gained within audit, product control or management consultancy
- Strong academic background
- Leadership potential coupled with the ability and willingness to perform detailed tasks

This is a first class opportunity to contribute to the continued success of this dynamic and rapidly expanding business. In return, you will receive a highly competitive remuneration package including a good basic salary and performance related bonus.

Please send or fax cv to Stephen Grant at *Morgan McKinley Associates*, Ruskin House, 40/41 Museum Street, London WC1A 1LT. Tel: 0171 404 4100, Fax: 0171 404 4334.

Morgan McKinley Associates

SONY

Divisional Finance Manager
Broadcast & Professional Group

Weybridge — **£36-40k + fully expensed car + benefits**

Sony is one of the most exciting, powerful and instantly recognisable names in the world. Innovation, quality and design keep it that way. Perhaps best known for our consumer products, we are also leaders in the Broadcast and Professional Video industry, as well as being one of the world's largest suppliers of computer components, and a major player in both the music and motion picture industries.

In the UK, the electronics group is continuing to grow rapidly. Total sales were over £2 billion last year, up by 15% on 1994.

Another exciting opportunity has arisen for a dedicated, confident and experienced manager to join us in one of our most important financial roles. The UK Broadcast & Professional Group is a demanding, £110 million business, at the forefront of many broadcast and professional communication technologies. One of its key challenges is to develop new products which exploit the convergence of computing, telecommunication, and audio/visual delivery systems.

Managing a small professional department, and working as part of the wider finance team, the Divisional Finance Manager reports to the Group's Managing Director.

The role encompasses financial and commercial support to all levels of management, with particular responsibilities for:-

- Monthly management and financial reporting.
- Developing information to meet changing business needs.
- Financial advice and commercial input to management.
- Divisional budgeting and forecasts.
- Monitoring and application of financial controls.
- Assessment of performance, and variance analysis.
- Smooth implementation of new, leading-edge, software systems.

You are probably already managing the divisional finance function of a substantial company. You will be experienced in managing across a wide commercial portfolio, with varied selling models and technologies, probably within a high business-to-business mix environment.

You must be professionally qualified, with at least 5 years' P/Q experience. Educated to degree standard, (2.1 or better) and with first-time passes in your professional exams, you must also be experienced in management accounting and controls, be confident and persuasive, and be successful in managing people. Computer literate and ambitious, you will be enthusiastic, committed and professional, and will have enjoyed managing within a rapidly changing environment.

If you feel that you meet all our requirements, send your detailed CV to Mrs Sandra Maundrell, Sony United Kingdom Limited, The Heights, Brooklands, Weybridge, Surrey KT13 0XW.

SENIOR FINANCIAL MANAGEMENT
FAIRVIEW NEW HOMES PLC

Enfield — **c. £50,000 + benefits**

Fairview is a well established, highly profitable housebuilder with turnover of around £100 million. It is an autonomously managed subsidiary of Hillsdown Holdings plc and is predicting continued steady growth.

A senior financial manager is required to assume responsibility for management accounting, forecasting, planning and cost control. Supervising a group of five, the manager will be expected to develop good working relationships with operating division managers and directors and ensure they have the financial information to manage the business profitably. A key aspect of the role will be the development and maintenance of effective cost control measures.

Candidates for this position will be qualified accountants and will have gained considerable financial management experience, probably in a project management environment. The ability to provide insight to the management accounts and the commercial awareness to contribute effectively at a senior level of the business are essential. Well developed communication, interpersonal and negotiation skills are all important personal traits.

A highly disciplined yet flexible style combined with a robust, hands-on approach are required.

Responsibility for the overall finance function of Fairview currently rests with the Deputy Chairman and, in the first instance, this position will report to him. However, future developments within the company and the group may create an opportunity for this individual, having successfully demonstrated the necessary skills and attributes required, to assume the role of Finance Director of Fairview.

Please reply in confidence enclosing a complete CV and current remuneration details to The Company Secretary, Fairview New Homes PLC, 50 Lancaster Road, Enfield, Middlesex EN2 0BY.

IT Senior Appointments

SENIOR IT AUDITOR

Central London — to £45,000 + car

This newly created position offers the rare opportunity to introduce IT Audit to a FTSE 100 company, whose principal operations are in the UK and the USA.

Our client is a leading international information and business services group with a market capitalisation in excess of £3 billion. Reporting to the Head of Internal Audit the successful candidate will be expected to provide a comprehensive review of the IT risks throughout the group and make constructive recommendations to mitigate such risks.

He/she will work closely with other members of the small, highly focused Internal Audit team, and will have access to and must be able to communicate with all levels of management including the main board.

Candidates must be self starters who are graduate Chartered Accountants and CISA/QiCA qualified. They will be occupying a senior position in Computer Audit with one of the major accounting firms or in a similar role with a substantial plc. Financial Services experience would be an advantage.

Please write with full CV, including salary, history and daytime telephone number quoting reference 2228/FT, to Paul Carpenter FCA FCMA, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Telephone 0171 493 0156.

Phillips & Carpenter
Search and Selection

STRATEGIC IT PROJECT MANAGER

Central London — **to £80,000 + excellent banking benefits**

We are one of the UK's leading blue-chip companies and a world-class investment bank. To maintain and enhance our competitive advantage in an increasingly global market-place, we are committed to the design, development and implementation of truly global IT systems. In particular we intend to deliver - initially in the UK and then in the US, Asia and Australia - a range of global fixed income settlement systems which will contribute visibly to the effectiveness and profitability of our businesses. We are now seeking to appoint a senior and highly talented project manager to take ownership of these systems and successfully deliver *them to our* users. If you believe that you are the calibre of individual we seek and have the skills and experience outlined below, we would be particularly interested in discussing this potential career move with you.

The Role is...
- to simultaneously manage the development and delivery of a number of strategic fixed-income settlements systems
- to ensure the successful implementation of systems currently under development on a UK and global basis
- to manage medium-to-large scale project teams
- to use your natural and acquired authority to develop positive relationships with colleagues across the bank at all levels

You will...
- offer evidence of the successful management of large project teams
- show the ability to manage and control significant, £multi-million budgets
- demonstrate natural or tutored leadership, man-management and communications skills
- offer evidence of successful, simultaneous management of multiple projects employing formal methodologies
- preferably offer knowledge and experience of securities' settlements systems, ideally with a focus on fixed income products

For more information about ourselves, this opportunity and the career awaiting you, please contact our advising consultant, Kevin Davey, quoting reference KDFT12, on 0171 247 7444. Alternatively, please send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: kdavey@mcgregor-boyall.co.uk

McGregor ■ Boyall
Business & Technology Selection for Financial Markets

IT Appointments

NTT Europe

Creating, Designing, Establishing, and Organising a Global Network

NTT Europe is one of the affiliated companies of the Nippon Telegraph and Telephone Corporation (NTT), Japan's No 1 telecoms company and also one of the biggest telecoms companies in the world.

Located in London, NTT Europe's main task are to provide business solutions for its customers, gather information on European business strategies and act as a bridge between NTT Group and European businesses. NTT provides Intranet and other new corporate systems to meet our customers' communication and information needs.

PROJECT MANAGER — **£30-40K + BONUS**

Joining our Global Solutions Division, you will work with the sales team to provide IT solutions for our clients. It is essential that you have experience in telecommunications, IT and application software and package software with regards to LANs and WANs. You should also be able to manage vendors and control projects for our clients. Of particular importance will be your ability to integrate telecoms and IT systems.

SYSTEM ENGINEER — **£20-30K + BONUS**

Joining our Global Solutions Division, you will work with the sales team. You will design network systems for our customers with regards to Internet and Intranet systems using UNIX OS, Windows NT and Window 95 on Sun workstations, PCs with Ethernet and the CISCO routers. You should also have the ability to define customer requirements.

If you meet our requirements and would like to become part of NTT Europe, please forward your CV to Jean Rickard, NTT Europe, Level 19, City Tower, 50 Basinghall Street, London EC2V 5DE.

NTT Europe Limited — **Tel: 0171 256 7151** — **Fax: 0171 256 7997**

BANKING/FINANCIAL

C/C++/SYBASE — £30-60k +bens +bonus
World leading Investment Banking organisation requires developers to assist in the development of the bank's strategic Market Risk Managment system. The successful candidates will join the database development team responsible for the design and implementation of the strategic datafeeds and databases required to support the Risk system. Strong C, SYBASE and C++ skills are essential, financial products knowledge advantageous. Unlimited career growth.

OO DEVELOPERS — to £60k +bens +travel
Excellent opportunities exist for OO architects and developers with solid C/C++ experience and a real interest in the latest technology including Java, HTML etc, to join this successful international consultancy. As part of a high profile project team, you will play key roles in the technical strategy, design and development of projects for many major Investment Banks. Rapid promotion offered to high achievers.

POWERBUILDER/C/SQL — £28-50k +bens +bonus
Top class developers and team leaders are required to join this International Finance House. You will be embarking on new projects covering Securities, Equities and Trading Risk within a sophisticated 3 tier client-server architecture based on POWERBUILDER, SYBASE and WINDOWS NT. Versatility combined with excellent communication skills are essential. Superb training and career prospects.

BUSINESS ANALYSTS — to £70k +bens +bonus
Successful AAA rated Investment Bank seeks team players with at least three years' solid financial experience covering any of the following: Settlements, Fixed Income, Securities, Repos. With a wide ranging brief covering multiple projects, you will enjoy extensive user contact in an open environment which encourages involvement in a variety of business areas. Prior exposure to the full systems life cycle is essential and you should have strong PC skills. Excellent opportunities.

VISUAL BASIC/C++ — to £50k +bens +bonus
Leading US Investment Bank seeks senior developers to provide business and technical expertise on the mission critical development of a Futures and Options system. Candidates must have a good grasp of the Futures business coupled with a good understanding of OO and GUI tools. These are outstanding opportunities for well rounded individuals who will be integral members of an elite development team.

EQUITIES — to £60k +bens +bonus
Global Risk Management team of this leading Investment House seeks experienced analysts whose primary focus will be in the EQUITY business area. Responsible for the logical design and strategic development of the Market Risk system, you should have solid analysis skills, Equities business knowledge as well as experience of the systems life-cycle. Any experience of C, SYBASE and GUI environment a distinct advantage.

ARC International is working with the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Isabel Blackley or Paul Wilkins on 0171-287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC International, Recruitment & Consultancy Services, 15-16 New Burlington Street, London W1X 1FF. E-mail arc@itjobs.co.uk Internet http://www.itjobs.co.uk

Tel: 0171-287 2525 ARC **Fax: 0171-287 9688**

FT IT Recruitment appears each Monday, Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:
Emma Lloyd +44 171 873 3779
Dominic Knowlson +44 171 873 4015

For Banking, Finance & General Appointments please turn to pages 10-16

or contact:
Robert Hunt +44 171 873 4153
Toby Finden-Crofts +44 171 873 3456
Andrew Skarzynski +44 171 873 4054

Global Derivatives
OUTSTANDING IT DEVELOPERS
Previous financial markets experience desirable but not essential

Excellent salaries, bonuses & banking benefits — **City**

The Chase Manhattan Bank is the largest US bank and a leading supplier of creative financial solutions to issuers and investors world-wide. A key driver of our success is our business driven technology strategy based on a state-of-the-art Windows NT environment, which has allowed us to forge a position of global leadership in trading, pricing, analytics and risk management. To help us extend this leadership position, we now wish to appoint a small number of developers to our International Capital Markets group based in London.

The Role is...
- to offer technical solutions to our structured derivatives group in London which develops 'exotic' interest rate, equity, commodity and foreign exchange products.
- to rapidly analyse and assess new technologies and actively research new techniques and products as required.
- to support trading activities by analysing requirements for (and then designing, building, testing and documenting) effective systems and tools.
- to communicate effectively with our team of quantitative analysts as well as other trading and technology groups on a world-wide basis.

Candidates will...
- have gained a good degree in a numerate discipline.
- demonstrate the ability to work productively in a team and the communications skills to liaise effectively with business specialists at all levels.
- possess a minimum of one year's experience of a formal systems development environment, including exposure to the full development life cycle, and be able to demonstrate a recent history of disciplined coding in C, C++ or VB4.0.
- have experience in using a number of MS-Windows (3.1 or NT) based packages and development tools and offer reasonable spreadsheeting (preferably Excel) skills.

For more information, please contact Karen Higgins, quoting reference CHST11, on 0171 247 7444. Alternatively, please send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: khiggins@mcgregor-boyall.co.uk

McGregor ■ Boyall

CHASE

Recruitment **Net.Works** The FT IT Recruitment section is also available all week on www.FT.com

مكتبة من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Bank of England rare bond offer

The Bank of England surprised the financial markets by issuing $2bn of five-year floating-rate notes on behalf of the Treasury. Bids by investors totalled more than three times the amount on offer because of the rarity of such operations by the UK, bankers involved in the deal said. The transaction, described as "routine debt management" by the Bank of England, aims to refinance a $4bn bond issue maturing at the end of the month. The other $2bn was raised on July 15, when the UK issued five-year euro-bonds paying a fixed rate of 6.75 per cent. Page 24

Benetton aims to be debt-free
Mr Luciano Benetton, the chairman of Benetton Group, said yesterday that the Italian clothing group would be debt-free by the end of its current financial year – and hinted that it may be looking at a sizeable acquisition. Mr Benetton was speaking after opening of the world's largest Benetton store in London's West End. Page 16

AGF reports surge in profits
AGF, the French insurance group privatised earlier this year, reported a 48.5 per cent surge in half-year net profit to FFr723m ($142.6m), thanks to improving non-life business in France and a strong performance abroad. Page 17

CLT abandons digital pay-TV initiative
Compagnie Luxembourgeoise de Télédiffusion, the pan-European broadcasting company, said it had scrapped plans to launch a digital pay-TV channel in Germany and would concentrate instead on existing free-TV activities. Page 17

Electrabel warns on costs of regulation
Electrabel, the electricity and mixed utility and Belgium's biggest company by market capitalisation, yesterday reported an 8.8 per cent increase in first-half net profits to BFr18.1bn ($582m), but warned it was being squeezed by tax and regulatory constraints. Page 17

Servisair to expand Heathrow activities
Servisair, the rapidly growing independent UK aircraft and passenger handling company, announced a further joint venture with Air France which would take it into ground handling at London Heathrow Airport. Page 19

Cost-cutting lifts Albright & Wilson
Albright & Wilson, the UK chemicals company spun off last year by Tenneco of the US, reported a small increase in first-half profits despite flat demand in the competitive US markets and lower margins in its core phosphates business. Page 19

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
GEHE	101	+	3.2
Rosenthal	110	+	3.5
Falls			
OLW	101.5	–	3.5
Dragerwerk	205	–	4.5
Karstadt	526.5	–	7.5
Wella	919.5	–	9.5
NEW YORK ($)			
Rises			
Ethan Allen	30¼	+	3
Intr Bakeries	35⅝	+	2⅝
Micron Tech	27¼	+	1¼
PHP Healthcare	27⅞	+	2⅝
Falls			
Cabletron Sys	70	–	2¼
Value Health	17⅝	–	1⅝
LONDON (Pence)			
Rises			
Dolphin Pack	181½	+	9
Go-Ahead	367½	+	50
Treats	100½	+	13
Falls			
AHD Intl	93½	–	3
RMC	110½	–	42
Ricardo	115	–	10
TORONTO (C$)			
Rises			
Aim Safety	13.95	+	1.70
CK Phototar	24.00	+	1.25
Toromont Inds	17.95	+	1.15
Falls			
Noranda Tel	18.75	–	0.95
Golden Star	21.60	–	1.05
Spar Aerospace	11.15	–	0.60
PARIS (FFr)			
Rises			
Canal Plus	1180	+	25
Danone	725	+	13
Essilor	1331	+	61
Falls			
BIC	700	–	17
Bancaire Cmp	523	–	13
Skis Rossignol	1590	–	109
TOKYO (Yen)			
Rises			
Chiba Bank	895	+	25
M'Bishi Paper	813	+	29
Nippon Shinpan	756	+	42
Toei	862	+	51
Falls			
Aoyama Trading	2900	–	180
Daicel Chem	590	–	27
HONG KONG (HK$)			
Rises			
Lamex Hldgs	2.825	+	0.175
Star Entertain	1.82	+	0.45
Truly Intl.	2.625	+	0.20
VTech Hldgs.	15.45	+	0.80
Wong's Intl.	2.625	+	0.20
Falls			
Dickson Con	25.00	–	3.10
BANGKOK (Baht)			
Rises			
CMIC Finance	53.50	+	4.75
Mutual Fund	222.00	+	12.00
Nawakij Ins	101.00	+	8.50
Siam City	51.00	+	4.25
Falls			
City Sports	33.75	–	3.75
Thai Reinsure	74.00	–	6.00

New York & Toronto prices at 12.30.

Nomura faces loss after unit bail-out

By Michiyo Nakamoto in Tokyo

Nomura Securities, Japan's largest securities company, is to take an extraordinary loss of Y371bn ($3.35bn) this financial year, reflecting the write-off of bad debts at Nomura Finance, its troubled non-bank subsidiary.

Nomura said the write-off would result in a net loss in the first half, but declined to quantify it. The securities company, which has net assets of Y1,600bn, expects to be able to cover part of the loss by selling securities holdings.

The move, which was expected in the industry, highlights the huge cost to Japanese financial institutions of the years of inflated Japanese asset prices and the subsequent deflation, particularly of property prices, over the past several years.

Nomura Finance, which is 91 per cent owned by the Nomura group of companies, was heavily involved in the dubious property lending popular in the late 1980s and early 1990s, when Japanese asset prices became highly inflated.

It has non-performing loans of Y415bn, representing unrecoverable loans and those in arrears for more than six months, but Nomura Securities believes the Y371bn it is injecting into the company is sufficient to end the problem.

Nomura Finance lent extensively to property companies, which were also recipients of loans from the now bankrupt housing-loan companies at the centre of Japan's *jusen* scandal, and are having to be bailed out with Y685bn of taxpayers' money.

Nomura Finance is believed to have been the largest creditor to Asahi Juken, a property company based in Osaka which accumulated the third largest volume of loans from the *jusen* companies. Nomura Finance lent it some Y34.1bn.

Analysts welcomed Nomura's move as a sign that it was now sufficiently confident of its financial position to resolve the problem immediately rather than over a period of 10 years as initially planned.

"Nomura is the only company that has the financial strength to clean it up in one swoop," said Mr Robert Garone, non-bank financial-industry analyst at Dresdner Kleinwort Benson in Tokyo.

Nomura had unrealised gains on its securities holdings of Y432bn at the end of March, noted Ms Alicia Ogawa, financial-industry analyst at Salomon Brothers. The extent of the damage to its results depended on how much it wanted to dip into that fund, she said.

With Nomura, the industry leader, putting the problem of its non-finance arm behind it, attention will now focus on whether others in the industry follow its lead. Subsidiaries of other Japanese securities companies are understood to have large non-performing loans, although the full extent is unknown, owing to the relatively lax disclosure requirements covering subsidiaries, Ms Ogawa said.

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Fiat warns but shows doubled margins

By Andrew Hill in Milan

Fiat, the Italian automotive and industrial group, doubled operating margins between the first and second quarters, but reported a decline in first-half pre-tax profits and warned on full-year profits.

The group reported an interim profit of L1,547bn ($1bn) before tax, against L2,153bn a year earlier – results which were flattered by extraordinary gains. Before these, it made a profit of L1,538bn in the half-year to June 30, against L1,761bn.

Fiat had hoped to equal 1995's result, when group profit doubled to L2,147bn after tax. But demand for cars in Europe has begun to slow and it expected overall sales in 1996 to be only "slightly higher" than in 1995.

Analysts were surprised by the improvement in operating margins, which recovered to nearly 5 per cent in the second quarter from 2.5 per cent in the first. "Doubling margins in this difficult market is beyond what we were expecting," said Mr Giampaolo Trasi at Imi Sigeco.

Fiat held net debt to L2,513bn at June 30 – lower than many forecasts. Turnover rose slightly to L40,681bn from L39,070bn.

In August, car registrations were projected to fall 7.5 per cent against August 1995. The group is also suffering from the effect of a stronger lira, and a levelling out of demand in Brazil.

"In this problematic context, we expect the full-year result from normal trading activities will not meet expectations," Fiat said. But it added that the net profit would be boosted by extraordinary gains, in particular from the planned flotation later this year of a minority stake in New Holland, the London-based agricultural and construction equipment arm.

In spite of the contracting Italian market, Fiat Auto raised volume sales of cars by 6.4 per cent in the half-year, and raised turnover 5.2 per cent to L21,300bn. Iveco, the commercial vehicles subsidiary, increased turnover to L5,600bn, up 4.3 per cent, while New Holland saw turnover fall slightly to L4,500bn, mainly as a result of a stronger lira.

Lex, Page 14

Olivetti head to take month for strategy rethink

By Andrew Hill in Milan and William Lewis in London

Olivetti's new chief executive yesterday said he would need "at least a month" to elaborate a new strategy for the troubled Italian information technology group.

Mr Roberto Colaninno replaced Mr Francesco Caio as chief executive on Wednesday night, and is backed by Cir, the quoted holding company controlled by Mr Carlo De Benedetti, Olivetti's former chairman. Cir is Olivetti's largest shareholder with a 15 per cent stake.

Olivetti's London-based shareholders said yesterday they would give the new chief executive time to develop and explain his strategy for dealing with the company's difficulties before considering whether to take independent action.

Ahead of Wednesday night's meeting, institutional shareholders warned they would consider calling an extraordinary general meeting if Olivetti failed to meet their concerns and the boardroom reshuffle did not meet their expectations.

"It will take at least a month to understand [the company] and work out a strategy – and when I say a month I'm talking about a very tight timescale," Mr Colaninno, 53, said yesterday in an Italian newspaper interview.

One member of the London shareholder group – Mr Talal Shakerchi, head of European equities at Old Mutual, which holds about 2 per cent of Olivetti – said the company had "bought themselves" breathing space and that he would be waiting to "see his [Mr Colaninno's] strategy". The company had told shareholders they would be able to meet Mr Colaninno "once he had his feet under the table", Mr Shakerchi said.

Mr Colaninno, who is chief executive of Sogefi, the automotive components group controlled by Cir, should spend his first full day at Olivetti headquarters on Monday.

Olivetti's share price rose yesterday to L567.6, up L57.6, to the surprise of some analysts, who said the underlying financial situation at Olivetti was still grave.

"You still have a company which barely breaks even at the operating level, and which has to be pumped with money," said Ms Francesca Lolli, head of research at Indosuez in Milan.

Members of a group of institutional shareholders which hold collectively about 25 per cent of Olivetti's equity said before Wednesday's night's board meeting that their main concern was that Mr De Benedetti should not be reappointed as chairman and that the company sell or close its personal computer subsidiary immediately.

Mr De Benedetti is still honorary chairman, but is not on the board. He resigned as chairman at the beginning of the month after a row with Mr Caio over future strategy.

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Hip Italian label trebles income

Gucci, the Italian fashion house, almost trebled its first-half net income to $69.9m. Gucci's shares have risen threefold since Investcorp, the Bahrain-based investment group, floated a stake last year. They were up $1¾ at $77¾ in early trading in New York yesterday. Gucci has become one of the hottest fashion labels under Tom Ford, its chief designer. Story, Page 16

Pechiney set to return to red

By David Owen in Paris

Pechiney, the French aluminium and packaging group, will fall back into the red this year after provisions for a sweeping programme of cost cuts.

Mr Jean-Pierre Rodier, chairman, acknowledged the provision would "certainly" lead to a full-year loss. Net income before the provision would be lower than the FFr730m ($144m) achieved last year before the addition of FFr735m of net capital gains. The results of Pechiney's main international rivals were likely to follow a similar pattern.

These disclosures came as the group yesterday reported a near 30 per cent decline in first-half net profits from FFr608m to FFr426m.

Sales were down 4.6 per cent from FFr34.49bn to FFr32.91bn.

The company said nearly half the 26 per cent fall in operating margins was due to a decline in the performance of its international trade division. This had performed exceptionally well in 1995.

By contrast, the aluminium and packaging units registered a slight improvement from the second half of 1995. The company was not affected directly by what Mr Rodier called the "very strong" decline in London Metal Exchange aluminium prices, because forward sales contracts had prevented it from benefiting fully from the strong price rise in the first half of 1995.

Mr Rodier, who steered the company to privatisation in December 1995, said its cost cutting programme would result in about FFr2bn in restructuring costs. Only "a part" of this would be provisioned in 1996.

He indicated the programme would lead to a reduction of between 4,000 and 5,000 in the company's 37,000 worldwide staff and a 17 per cent cut in its wage bill.

In spite of high unemployment, France – where nearly half of the company's employees are based – would bear its fair share of the pain, with salary costs set to come down by 16 per cent. This would apparently be achieved by a reduction in headcount of between 1,500 and 2,700. Mr Rodier said the group aimed to "safeguard" 1,200 of these jobs through voluntary part-time working schemes and other similar measures.

The aim of the programme is to cut costs by FFr4bn, or 20 per cent of overall costs, excluding raw materials, by the end of 1998. This would put the company's earning capacity on a footing with that of its strongest competitors.

Easdaq attracts two new issues

By Christopher Price in London

The first two private companies to float on Easdaq, the pan-European stock market due to open on September 30, were announced yesterday with a combined market capitalisation estimated at $280m.

The news that Artwork Systems and Innogenetics will list on the new market will come as a relief to Easdaq's backers which until now were faced with launching without news of any new issues. The two companies are likely to list in mid-October and will join several Nasdaq-listed companies. The two markets have a dual-listing agreement.

Analysts estimate Artwork, the Belgian-based software group, could have a pre-market valuation of more than $156m. The company aims to float between 25 and 30 per cent of its shares.

Founded in 1992, Artwork has developed pre-press software products for the label and packaging industry. Sales have grown from BFr35m in 1994 to a forecast BFr385m ($12m) this year. After-tax profits are forecast at BFr200m. Kredit Banque Securities, the Belgian bank, is the sponsor.

Innogenetics, a Belgian biotechnology company, was established in 1985 and has developed a medical diagnostic business. It had sales of BFr657m in 1995. Kredit Banque is the sponsor, with Nomura co-leading the placing.

Mr Van der Schueren, Artworks' chairman, considered the Brussels bourse as "too conservative", and wanted to avoid Nasdaq because most of its sales are in Europe. "Easdaq was the obvious choice for us," he said.

Easdaq has the backing of about 80 European financial institutions, banks and stockbrokers. It is modelled on the Nasdaq market in the US, being screen-based and with demanding regulations, such as quarterly reporting and a 20 per cent minimum percentage share float. It aims to attract high-growth, high technology companies.

Easdaq faces competition from national bourses. Some have started separate markets for young companies, such as the Alternative Investment Market in the UK and the Nouveau Marché in France.

Gucci almost trebles to $69.9m at midway

By Alice Rawsthorn

Gucci, the Italian fashion house, pleased investors yesterday by reporting first-half net income almost trebled, from $26.4m to $69.9m.

Mr Domenico De Sole, president, said that both sales and profits had exceeded the company's expectations. "These results are really excellent," he said, "particularly as it was all like-for-like growth. We did not open any new shops during the period."

The record first-half figures follow a buoyant period for Gucci. The group floundered in the 1970s and 1980s when its image became tarnished, but has since become one of the hottest fashion labels of the 1990s under Mr Tom Ford, its Texan chief designer.

Gucci's shares have risen threefold since Investcorp, the Bahrain-based investment group, floated a minority stake last year. They were up $1⅛ at $77⅞ in early trading in New York yesterday.

Investcorp has since sold all its shares, and Gucci's flotation has been followed by other fashion and luxury issues including those of Donna Karan, the New York fashion designer, and Estée Lauder, the US cosmetics company.

In the six months to July 31, Gucci's net revenues rose 89 per cent from $206.2m to $390m while operating profits increased 146 per cent to $104.7m, against $42.5m. Net income per share doubled from 59 cents to $1.15.

The most buoyant part of the business was leather goods, where sales more than doubled from $103.4m to $234m, fuelled by the popularity of Gucci's classic bamboo-handled bags. Shoe sales were up 88 per cent from $36.9m to $69.2m. Ready-to-wear fashion, the highest profile area of activity, saw sales increase by 27 per cent to $32.6m, up from $25.7m.

Gucci's strong performance is largely due to the success of its fashion collections, but also reflects the healthy state of the global luxury market. Luxury sales have benefited from strong demand in the established markets of western Europe and North America, and from dramatic growth in Asia and eastern Europe.

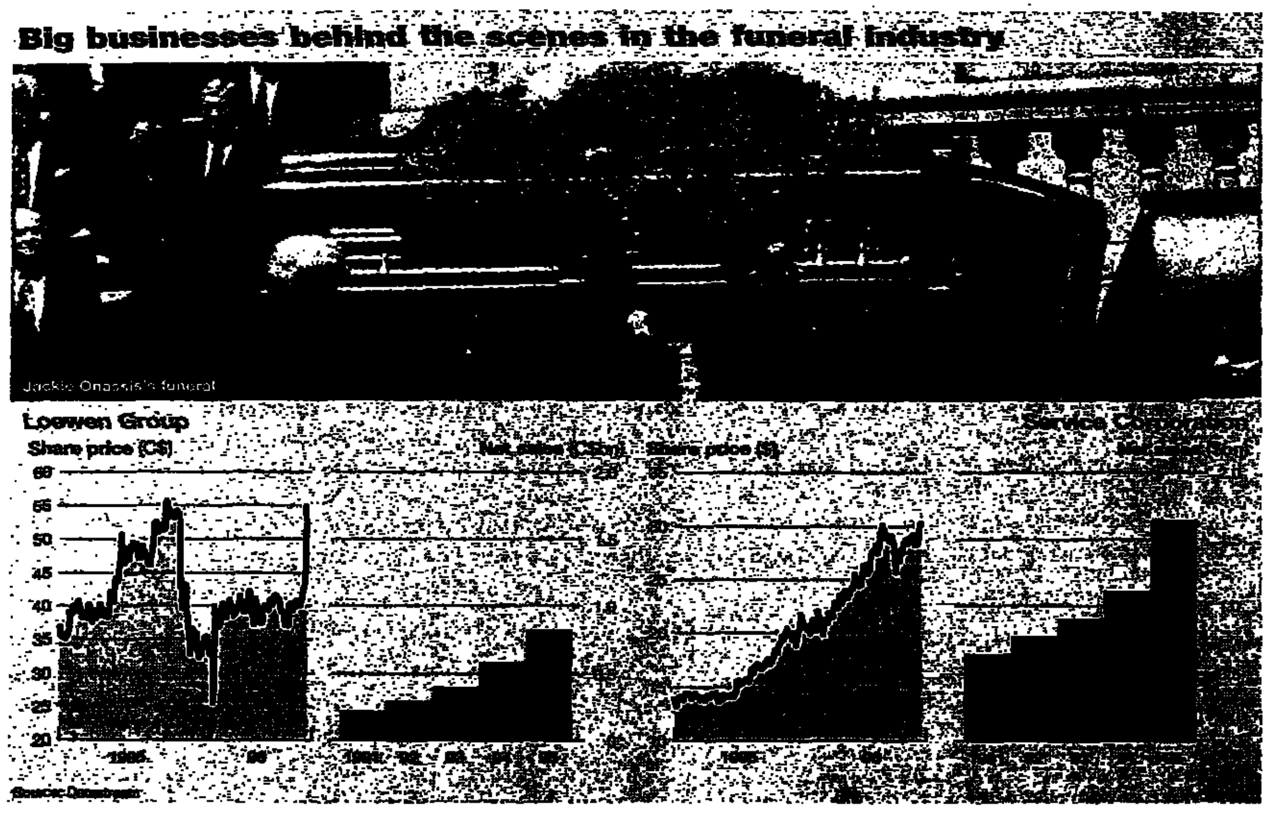
Mr De Sole said Gucci hoped to sustain its resurgence by adding 18 new stores to its 65-strong chain by the end of next year. The new units will include the company's first store in China and its first shop-in-shop in Moscow.

Gucci also intends to renovate its stores in Manhattan and Beverly Hills, as well as expanding its store on London's Sloane Street.

Breathing new life into the business of death

Funeral operators look to achieve the benefits of size while retaining the personal touch, writes **Bernard Simon**

Big businesses behind the scenes in the funeral industry



In some ways, little has changed over the years at Joseph Gawler's Sons, a funeral home in Washington DC. The name has remained the same since the company was founded in 1850. Mr Joe Hagan, the group's president, has worked there for most of his 54 years in the funeral industry. And customer demand has remained steady, with some 1,100 bodies a year passing through its "preparation" rooms.

Mr Hagan says personal service and an attachment to the local community are top priorities. Gawler's has handled the burials of five US presidents and the funeral in May 1994 of Mrs Jacqueline Kennedy Onassis.

There is, however one crucial difference. Gawler's is no longer the close-knit family business that its name and ambience suggest. In 1970, it was bought by Service Corporation International, the Houston-based group that has become the world's biggest funeral operator.

SCI's appetite for acquisitions reached new heights this week with a US$2.5bn all-share bid for Vancouver's Loewen Group, its arch-rival. Should a deal materialise, the combined group would own 3,750 funeral homes and 600 cemeteries around the world.

Loewen has yet to respond. Mr Ray Loewen, the company's founder and chairman, who owns 15 per cent of the stock, is not expected to take kindly to SCI's overtures. But Loewen, with sizeable debt and no single controlling shareholder, has a limited arsenal at its disposal.

SCI and Loewen between them conduct about 15 per cent of North America's funerals. SCI has concentrated on cities, while Loewen's strength is mainly in rural areas. Thanks to aggressive expansion overseas, SCI is also the biggest funeral group in the UK, France and Australia.

Ms Lynn Detrick, analyst at Williams MacKay Jordan & Co, a Houston securities firm, says Loewen would give SCI "some presence in markets in which they aren't represented to any great degree". However, antitrust authorities would probably require SCI to dispose of some Loewen properties.

SCI and Loewen have their roots in the traditional North American funeral parlour. Their founders, Mr Robert Waltrip and Mr Loewen, both began their working lives in small family businesses – Mr Waltrip in Houston, Texas, and Mr Loewen in Steinbach, a hamlet in the Canadian prairie province of Manitoba.

Over the years however, Mr Waltrip, Mr Loewen and a handful of others have breathed new life into death. Mr Hagan says that "probably the biggest change" he has noticed "is the tight management of the business". Financial controls, centralised purchasing, wider product variety and vertical integration, among other modern business techniques, have enabled the funeral conglomerates to improve productivity and lift profit margins. "The key is offering people options," Mr Hagan says. Gawler's offers a choice of 27 coffins, ranging in price from $995 to $46,795.

Cemeteries have become the big companies' latest target. Loewen notes in its latest annual report that "because both funeral homes and cemeteries serve the same people at the same time, it makes sense for them to work as one".

One of the biggest challenges has been to achieve the benefits of size without sacrificing the personal touch. The latter is especially important in North America, where burials are still far more popular than cremations, and the typical funeral includes a "visitation" at the funeral home with an open coffin.

Senior management is usually left intact after an acquisition, and local managers are encouraged to take an active part in the local community. "We have no desire to let the neighbourhood feel that an uncaring conglomerate has replaced their local funeral home or cemetery," Mr Hagan says.

Loewen had a near-death experience last year after it failed to appreciate the full implications of the ties that bind funeral homes to the local community. Shortly after concluding a deal in Jackson, Mississippi, the Canadian company was sued for breach of contract by a prominent local businessman who operated a rival funeral service.

Loewen was portrayed in court as a greedy foreign behemoth preying on family businesses in one of the poorest US states. The jury awarded compensation and damages of $500m. Loewen eventually settled for $175m, which pushed it to a $76.7m loss last year.

One US funeral industry official estimates that family-owned groups typically lose between 15 and 20 per cent of their clientele when they are taken over.

In a drive for customer loyalty, marketing is increasingly geared to what the industry calls "pre-need" and "after-care" services.

According to the National Funeral Directors Association, Americans spend an average of $4,624 on a funeral. Buying in advance enables people to make the arrangements most suited to their tastes, and allows payments over as long as 10 years. Loewen's cemeteries generated 61 per cent of revenues from "pre-need" arrangements last year, up from 53 per cent in 1994. The figure is expected to climb to 66 per cent this year.

But the more discretionary element in "pre-need" arrangements has intensified competitive pressures. One industry executive, referring to SCI, says that "if you don't sell x amount of caskets a month, you've had it". The business is now as much about survival as death.

Hoechst adopts the long-term view

In a further sign of Hoechst's move to expand its genetic research, the company yesterday announced it wanted to open a genetic research laboratory in Germany, Wolfgang Münchau writes.

Hoechst, which has earmarked biotechnology as one of the prime areas for future investment, plans to take over an existing research facility on the outskirts of Munich. The laboratory – which will employ 20 – will conduct basic research.

Hoechst's choice of Munich underlines the efforts of the Bavarian government to attract high-tech investment. The research facility is part of a dedicated biotechnology complex.

Acquiring a loss-making company at 135 times turnover takes some justification. But Hoechst, the German drugs and chemicals group, is unapologetic.

Last month Agrevo, Hoechst's agrochemicals joint venture with Schering, the German drugs group, spent $550m on a 75 per cent stake in a tiny Benelux genetic research concern with sales of just $5m.

The acquisition of Plant Genetic Systems, a biotechnology company with headquarters in Amsterdam and a research laboratory at the University of Ghent, is part of Agrevo's ambitions to become one of the world's leading plant biotechnology companies. Hoechst owns 60 per cent of Agrevo, and Schering, 40 per cent.

Mr Claudio Sonder, board member at Hoechst responsible for agrochemicals, says the acquisition reflects a shift from technologies that merely protect a crop to those that try to improve its resistance, yield and quality.

PGS specialises in genetic manipulation to make crops more resistant. It also has a technology to produce a high-yield crop through a technique known as hybridisation.

Plant biotechnology involves far more high-tech research than traditional agrochemicals. Mr Walter De Logi, chief executive of PGS, says the industry is transgressing traditional boundaries, and that PGS "provides seed with enhanced yield potential, which traditionally was the domain of plant breeding companies". He adds: "Plant biotech is bringing to the farmer improved agrochemical benefits to protect that yield, traditionally the franchise of the agrochemical industry."

Hoechst expects the market for plant biotech products to grow from $400m at present to about $6bn by 2005. It is seeking a market share of 16 per cent by the same year, equivalent to almost $1bn. "We have to compete against companies which are pacemakers in this industry. These are Novartis [the merged Ciba-Sandoz combine] and Monsanto. With the acquisition of PGS we have caught up," Mr Sonder says.

The company was among the last few independent operators in a field into which the usual agrochemical giants are now crowding. Agrevo won the deal in a sealed bid, in which most of its competitors are understood to have taken part.

However, biotechnology has proved a difficult sector for German companies. It never took off as it did in the US, partly because of ethical controversies and legal constraints on research.

Agrevo's plans suggest that German companies may be losing some of their inhibitions. The market for plant biotechnology is relatively new, but the big groups are already lining up to tap what is believed will turn into a multi-billion dollar market by the next decade.

The high price Hoechst was prepared to pay may bear testimony to the company's long-term outlook. But Agrevo refuses to say when it expects to break even on its investment. What is clear is that Agrevo will have to wait many years for its acquisition to pay off.

Wolfgang Münchau

Benetton expects to be debt-free by year-end

By Christopher Price

Mr Luciano Benetton, the chairman of Benetton Group, said yesterday that the Italian clothing group would be debt-free by the end of its current financial year – and hinted that it may be looking at a sizeable acquisition.

He also said that revenues for the first half of the year, due to be announced at the end of this month, would be flat, although net profits would show a slight increase. At the same stage last year, the group reported profits of L106bn ($69.5m) on revenues of L1.463bn.

Mr Benetton said trading conditions remained difficult, with the group reducing its cost-base by "compacting" its operations.

The group had also benefited from the L200bn investment programme of the past three years, which had improved productivity.

Benetton had borrowings of L140bn at the year-end. Mr Benetton said paying back its debt would leave the group flexible to address a range of options.

"We may make an acquisition, but it is too early to say. It could be outside the clothing industry – we have diversified before and have experience of managing large formats."

Mr Benetton was speaking following the opening of the world's largest Benetton store in London's West End shopping district.

At 62, he said he had no plans to retire from the business. "I am an enthusiast and when you feel like that about a business like ours, thoughts of taking a back seat do not occur," he added.

Benetton has franchised stores in 120 countries. Mr Benetton said Asia Pacific offered the most exciting growth opportunities with India and China likely to be targeted for expansion.

LEGAL NOTICES

In the High Court of Justice No.5126 of 1996
Chancery Division
Companies Court
IN THE MATTER OF ELF FINANCE PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 11th September 1996 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Capital of the above named Company from £100,000,000 to £19,000,000 and the Cancellation of the Company's Share Premium Account.
And notice is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 2nd October 1996.
Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said Reduction of Capital and cancellation of Share Premium account should appear at the time of hearing in person or by counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charges for the same.
Dated this 17th day of September 1996
Nabarro Nathanson of 50 Stratton Street, London W1X 6NX. Tel: 0171 493 9933
Ref: PA/AOC/E736/14
Solicitors for the Petitioner

INTERNATIONAL NEWS DIGEST

Cimpor offering worth Es123bn

Portugal today launches the privatisation of 45 per cent of Cimpor, the country's biggest cement company, in a secondary global offering worth Es123bn ($799m) at current prices.

The sale is the second important privatisation undertaken by the socialist government which took office last November, and is similar in scale to a highly successful offer of Portugal Telecom in June.

Unlike a 20 per cent initial public offer in 1994, Cimpor's secondary offering coincides with strong growth at the Lisbon stock market, where the main BVL-30 index reached an all-time high last week after gaining more than 24 per cent since January.

About 55–60 per cent of the Cimpor offering is to be sold directly to international institutional investors. Shares will be registered in Lisbon and London and American Depositary Receipts will be issued in New York. Morgan Stanley is global co-ordinator for the offer, which will be concluded at a special session of the Lisbon stock exchange on October 15. Union Bank of Switzerland, Schroders and Salomon Brothers are the other main institutions overseeing the international sale.

The domestic issue, co-ordinated by Banco Fomento e Exterior, will include a public offer from October 7 to 11 that is expected to involve 40–45 per cent of the 37.8m shares on sale. Employees and small investors will benefit from a 10 per cent discount to the offer price, which is to be set by the government.

Several analysts rate Cimpor, which accounts for about 60 per cent of the Portuguese market, as the most profitable cement company in Europe. Its shares have gained more than 55 per cent since the IPO in June 1994, compared with 30 per cent for the BVL-Geral index.

Peter Wise, Lisbon

Portugal Telecom up 56%

Analysts forecast strong full-year profit growth for Portugal Telecom yesterday after the group lifted first-half net consolidated profit by 56 per cent from Es14.7bn in the first six months of 1995 to Es23bn ($149.7m). Earnings per share rose from Es78 to Es121. First-half profits were 12.5 per cent higher than PT's own forecast, and analysts said full-year profit growth was expected to be substantially higher than the 25 per rise to Es45.5bn projected by the group earlier this year.

One of the highlights of PT's performance was strong cash flow growth of 14.4 per cent to Es86bn, which helped the group lower its net debt-to-equity ratio from 65 per cent at the end of 1995 to 56.4 per cent in June, said Mr Jonathan Lee, analyst with HSBC-James Capel.

Another high point was a 65 per cent jump in revenue from PT's mobile telephone operations, to Es14.8bn, accounting for 6.3 per cent of total revenue compared with 4.2 per cent in the first six months of 1995. A 6.6 per cent rise in revenue from basic telephone services, to Es171.2bn, was slightly below expectations. *Peter Wise*

Adverse weather hits Eridania

Eridania Béghin-Say, the second-biggest food company in France, reported first-half net profits down 10 per cent to FFr745m ($144.9) after adverse weather hit crops.

However, it predicted full-year results close to last year's FFr1.5bn profit. Sales by EBS, the Paris-quoted subsidiary of Montedison of Italy, rose to FFr25.9bn, up 5.5 per cent on the first half of 1995. But operating income slid 18 per cent to FFr1.67bn. Drought in Spain hit olive oil, and heavy rain in France hurt sugar beet, while competition from other suppliers and soft demand from customers made it harder to pass on cereal and oil seed price increases. These factors led to poor results in the group's US starch business and lower margins in crushing and refining.

However, net profit declined less than operating income, mainly because of the tax consolidation of different companies through mergers and the creation of joint companies within the group. Mr Stefan Meloni, chairman, said the second half had started better. EBS has just bought 48 per cent of Compagnie Francaise de Sucrerie, at a net cost of FFr1.1bn after selling the rest on to others. Net financial debt will therefore end the year higher than its end-June level of FFr11.7bn, raising the debt-to-equity ratio from 0.68 to 0.80. *David Buchan, Paris*

Pernod Ricard posts 2.9% rise

Pernod Ricard posted first-half net profit of FFr504m ($98m), up 2.9 per cent from FFr490m a year earlier. The company said it would maintain its target of profit on ordinary activities at twice the inflation rate for full-year 1996. Operating profit was FFr771m in the first half, down 2.4 per cent from FFr790m a year earlier, Mr Patrick Ricard, chairman, said. Profit on ordinary activities rose 1.6 per cent to FFr697m, due to a 29 per cent cut in financial costs. Turnover, on a like-for-like basis, rose 5 per cent. *AFX News, Paris*

Bayer denies Zeneca accord

Bayer, the German chemicals and pharmaceuticals company, yesterday denied it was considering any merger with Zeneca, the UK drugs company. It also said there were no plans to buy, sell or swap any of its businesses with any of Zeneca's.

Zeneca shares rose 5 per cent at one point on the London Stock Exchange yesterday on rumours that the two companies were about to conclude a large deal. Zeneca said it did not comment on market rumours. Zeneca shares have risen strongly in the past 15 months on a series of so far unfounded rumours of bids from large drugs companies. *Daniel Green*

Eni offers domestic bonus

Italians will be able to buy shares in Eni at a discount when a secondary offer in the oil and gas company is launched next month. Retail discounts have become relatively common in other privatisations, but this will be the first time they have been part of a share offer in Italy.

Those savers who hold their shares for a year or more will receive an extra incentive in the form of one bonus share for every share bought. The size of the discount will be announced on October 7, the Treasury said yesterday, when it outlined the timetable for what is likely to be one of Europe's biggest privatisations this year.

Roadshows, in which the company will be presented to international investors, will begin on October 7; the offer price will be announced on October 26; and dealings will begin on October 29. The timetable will bring Eni to market ahead of the other imminent large European privatisation, the sale of new shares in Deutsche Telekom of Germany. The size of the new issue was not specified yesterday, but an initial offer last November raised some $3.96bn. Since then the company's share price has risen 35 per cent from L5,250 to about L7,000. *Richard Lapper*

Mobil Canada in asset swap

Mobil Canada has taken control of eastern Canada's US$2bn Sable Island natural gas project following an asset swap with Petro-Canada. Mobil acquires Petro-Can's 18 per cent interest in the Sable project, lifting its stake to 59 per cent of the development consortium, along with Shell Canada (26 per cent), Imperial Oil (9 per cent) and Nova Scotia Resources (6 per cent). Mobil also holds 25 per cent of a US$1bn pipeline project to bring the gas ashore.

In return, Petro-Can takes certain Mobil production properties in western Canada, confirming its position as Canada's second-biggest gas producer. Both Mobil and Petro-Can are key members of the Hibernia and Terra Nova offshore oil projects in the east. *Robert Gibbens, Montreal*

De Benedetti family retains power on Olivetti board

By Andrew Hill in Milan

In a way, it was vintage Carlo De Benedetti, reminiscent of the 1980s when the Italian entrepreneur shook up Italian and European markets with a series of audacious bids and deals.

One of Italy's best-known companies was in trouble, the shares laid low by doubts over its financial position and the impact of widening judicial investigations. At an emergency board meeting, the dissident chief executive would be squeezed out, a replacement imposed and the way opened for a dramatic recovery.

This was no ordinary bid target, however, but Olivetti, the information technology group which Mr De Benedetti had run as chairman and largest shareholder for 18 years. Three weeks ago he was relegated to "honorary chairman" of Olivetti after falling out with Mr Francesco Caio, the chief executive, over how best to pull the group out of five years of losses.

Two days ago, Mr Caio, the man Mr De Benedetti had appointed only 11 weeks earlier, was himself ousted. He was replaced by Mr Roberto Colaninno, chief executive of Sogefi, an Italian automotive components company, 67 per cent of which is owned by Cir, the holding company through which the De Benedetti family also controls Olivetti.

The reshuffle underlined the family is still the main power in the Olivetti boardroom, even though Mr De Benedetti himself no longer has a seat at the table.

Insiders say Mr De Benedetti disagreed with Mr Caio's plans to make a clean break with the past, sell off the troubled personal computer business and accelerate the group's move towards the telecommunications sector.

Mr Caio won round one of the struggle for power, but his attempt to clear Mr De Benedetti from his path backfired. The day after Mr De Benedetti's resignation and the publication of worse than expected half-year results, Mr Renzo Francesconi resigned as director-general in charge of the holding company's finances. He claimed the financial situation was worse than the published figures indicated. Olivetti has denied the allegations and plans to sue Mr Francesconi. But the damage was already done. The doubts raised by Mr Francesconi – brought in by Mr Caio six weeks earlier to help clean up the Olivetti accounts – prompted a collapse in the share price and investigations by the stock market regulator and magistrates.

Officially, Mr Caio resigned on Wednesday over a dispute about the powers of the new executive committee at Olivetti. His supporters claimed yesterday, however, that the De Benedetti camp "wanted a puppet, and he did not want to be a puppet".

Mr Colaninno will now have a short time to convince the market that he is also an independent manager with fresh ideas. He will be flanked on the new executive committee by allies of Mr De Benedetti, including his son, Rodolfo, chief executive of Cir, and the new chairman Mr Antonio Tesone, one of Mr De Benedetti's principal legal advisers.

The new chief executive's progress will be closely monitored by Mediobanca, the Milan merchant bank and core Olivetti shareholder, and by foreign fund managers, many of which were persuaded to buy into Olivetti at L1,000 a share a year ago, when Mr De Benedetti launched a L2,257bn ($1.5bn) rescue rights issue.

Mediobanca tacitly backed the removal of Mr Caio, probably on the grounds that Mr Francesconi's declarations had fatally damaged Mr Caio's credibility.

Some commentators suggested yesterday that the bank's own credibility was also at stake, as a prominent backer of last year's De Benedetti-led rescue plan and capital increase. If that is so, Mr Colaninno may find himself under even more pressure than Mr Caio to set Olivetti to rights quickly.

New chief executive looking forward to challenge

The post of chief executive of Olivetti will be "a stimulating challenge", Mr Roberto Colaninno said yesterday, in an interview looking forward to his first job outside the automotive components industry.

Since 1981, Mr Colaninno, 53, has been chief executive of Sogefi, the Italian components manufacturer which he founded in Mantua, his home town, before inviting Mr Carlo De Benedetti to take a stake and floating the company on the stock market.

Sogefi, now a quoted company, is still controlled by Cir, the quoted holding company through which Mr De Benedetti also owns 15 per cent of Olivetti.

Mr Colaninno said yesterday that Cir "and other [Olivetti] shareholders" had identified his international experience with Sogefi as one qualification for the top executive job at the IT group.

In an interview published in a Mantua local newspaper, he identified his main areas of experience as "entrepreneurial spirit, international development, the management of alliances with large groups at global level, and restructuring".

In recent years, Mr Colaninno has set up joint-venture agreements with international groups such as Krupp of Germany and AlliedSignal of the US, with which Sogefi has a marketing agreement covering Europe and the Middle East.

Sogefi started with 150 employees and turnover of L15bn. It now has turnover of L920bn ($602m) and 4,500 employees.

Andrew Hill

Shake-up fails to make PC unit compatible

By Alan Cane and Paul Taylor

In spite of all the boardroom changes at Olivetti, which posted a first-half pre-tax loss of L440.2bn ($288m), the prospects of a turnround are remote.

Problems range from the perennially troubled personal computer division to new difficulties in the computer services business and the computer printing and copiers operations. Their difficulties have raised questions about the financial strength of the company: Olivetti's net debt was L1,260bn at the end of June, up from L774.5bn at the end of December, representing gearing of almost 60 per cent.

The most pressing problem is the PC business, which has been slow to change, being constrained by Italian labour laws and management pride. Most of Olivetti's competitors re-engineered, moving away from low-margin hardware to higher-value services businesses.

Although there have been recent signs of a revival in the restructured PC operations – particularly for notebook PCs – the unit, set up as an independent subsidiary in January, still incurred a L15.8bn loss on sales of L1,000bn in the first half. The basic problem is that Olivetti, which makes less than 1m PCs a year, does not have sufficient economies of scale to assemble low-cost computers that would let it thrive in the cut-throat PC market.

Olivetti management has failed to find a buyer or partner for the PC business. A number of rumoured partners including IBM, Digital Equipment, Siemens Nixdorf and NEC of Japan have all said they have no interest in the PC business.

Potential bidders are said to be concerned about the cost of further restructuring, and question what advantages – other than market access – a deal with Olivetti would bring. "We would not touch it even if it was being given away," said one senior industry executive.

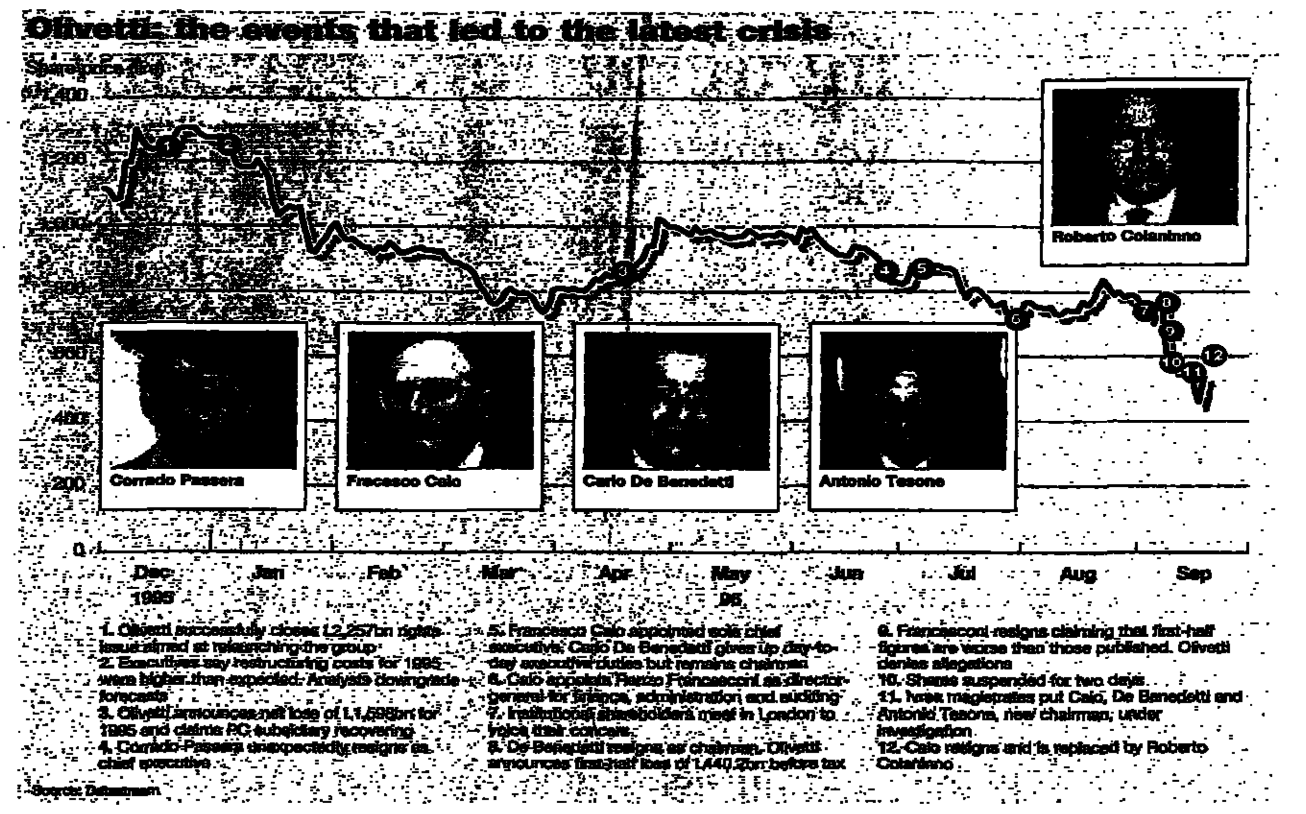
More worryingly, two of Olivetti's other main businesses, the Lexikon printers and copiers business and the large computer systems and services business, which accounted for L2,755bn of turnover in the first half – about 55 per cent of group sales – have run into problems this year.

In July, some analysts cut their forecasts for operating profits in the computer systems and services business, citing price erosion in the European market. Meanwhile Lexikon, originally due to be spun off this year, faced an unexpected sales shortfall in cash registers and pricing erosion in the ink jet printers market.

A few analysts believe the shares have fallen well below the break-up value and are therefore good value. Much of this optimism is based on Olivetti's investment in Italy's fast-growing mobile telephone business. Omnitel Pronto Italia, the two-year-old mobile phone operator in which Olivetti has a 41 per cent stake, is credited with an impressive start against fierce competition. Telecom Italia Mobile (Tim), the mobile phone arm of the national operator Telecom Italia, has fought hard to protect its monopoly.

Valuing unprofitable newcomers is always difficult. Mr John Tysoe of Société Générale Strauss Turnbull estimates Omnitel should be worth $4.6bn, leaving Olivetti's share worth $1.9bn, or L2,900bn. Olivetti's market capitalisation yesterday was about L2,000bn, meaning it was trading at a significant discount to its stake in Omnitel.

Investors and Olivetti's bankers will have to weigh the group's Omnitel stake against its less attractive units. The real danger is the possibility there might be further unrevealed black holes.



CLT scraps German pay-TV plan

By Frederick Stüdemann in Berlin

Compagnie Luxembourgeoise de Télédiffusion, the pan-European broadcasting company, said yesterday it had scrapped plans to launch a digital pay-TV channel in Germany and that it would concentrate instead on its existing free-TV activities.

It said that higher programming costs, the collapse of MMBG (a digital pay-TV consortium of big broadcasters using common technology) and the merger of France's Canal Plus with NetHold, a pan-European pay-TV company, had prompted its decision.

CLT had planned to launch this autumn a digital pay-TV channel, Club RTL, with Ufa, a subsidiary of Bertelsmann, the German media company. Ufa and CLT, which are awaiting approval from the European Commission for a proposed merger, already run RTL, Germany's most successful commercial free-TV network.

"In the medium-term free-TV will remain the dominant form," CLT said. Digitally broadcast television, which allows many more channels to be transmitted and could be used for tailor-made services such as video-on-demand and pay-per-view, had been only one factor in the company's planning, which had always placed greater emphasis on free TV and radio.

The CLT decision is the latest case of a large television company scaling back plans for digital pay-TV in Germany, seen as Europe's potentially most lucrative market. On Wednesday, Bertelsmann announced its digital pay-TV activities were on hold, saying the market was "hopelessly over-rated".

On the same day, Pro Sieben, the third biggest free-TV network, in which Mr Leo Kirch's son Thomas holds a stake, also cancelled plans to launch a digital channel.

The fate of MMBG was in effect sealed this week when Deutsche Telekom said it was withdrawing from the joint venture with Bertelsmann, CLT, Canal Plus and several public sector broadcasters.

According to a study published by the Munich-based Hypo-Bank it will take eight to 10 years for digital pay-TV to break even in Germany. The study notes that German viewers already have a wide choice of free channels. The costs of installing a set-top decoder to receive digitally-transmitted signals are a further hurdle.

Electrabel warns on costs of regulation

By Neil Buckley in Strasbourg

Electrabel, the electricity and mixed utility and Belgium's biggest company by market capitalisation, yesterday reported an 8.8 per cent increase in first-half net profits to BFr18.1bn ($582m), but warned it was being squeezed by tax and regulatory constraints.

It said price cuts imposed in April by Belgium's electricity and gas monitoring committee had taken 2.1 per cent off the price of electricity for public distribution, and meant a BFr1.3bn cut in annual income to be borne by generators.

The regulatory committee also granted a BFr200m budget from the generating sector and BFr415m from the distribution sector to promote the "rational use of energy".

A special budget law last December, to help Belgium meet the convergence criteria for European monetary union, lifted by BFr1.4bn a "special contribution" paid by generators.

"This fresh increase in direct fiscal charges at the expense of Belgian generators once again exacerbates the company's competitive position on the verge of liberalisation of the market and potential competition among operators," Electrabel warned.

The company, which accounts for 92 per cent of Belgium's electricity production, as well as the management of public utility networks spanning electricity, natural gas, cable-TV and water, is also the subject of an investigation by the European Commission.

The Brussels authorities say the terms of new contracts between Electrabel and Belgium's *intercommunales*, distribution companies set up by groups of local authorities, may breach EU competition rules. Electrabel denies the contracts are anti-competitive.

Total turnover rose from BFr109.0bn to BFr113.3bn. A 4.5 per cent increase in electricity sales volumes for public distribution was partly eroded by a 2.8 per cent fall in sales to large industrial customers, because of economic slowdown in the first half.

The company expects to distribute a full-year dividend "at least equal" to last year's BFr450 a share.

Saint-Gobain down 5.4%

By David Owen in Paris

Saint-Gobain, the French glass and building materials group, yesterday reported a 5.4 per cent decline in first-half net profits, from FFr2.17bn to FFr2.05bn ($398m), with a strong US performance helping to offset a downturn in European markets.

This was in spite of a 14.5 per cent advance in sales, from FFr35bn to FFr40bn, which the group attributed to its acquisitions in the ceramics, abrasives and glass packing sectors.

Operating profits climbed 6 per cent in absolute terms, from FFr4.04bn to FFr4.28bn, but fell from 11.5 per cent to 10.7 per cent of turnover.

The group said its sector-by-sector analysis showed a fall in profitability in its glazing and insulation units. But packaging, reinforcing fibres, building materials, and industrial ceramics and abrasives were showing a noticeable improvement.

Sales rose more than 10 per cent in the UK and in North and South America, but were "average" in France and Spain, and lower in Germany and the Benelux countries.

Net debt rose sharply from FFr2.25bn to FFr6.77bn, including a rise of FFr2.8bn since end-December 1995.

In May, it was announced that Saint-Gobain was acquiring control of Poliet, the French building materials company, in an innovative deal by which it was to take over the management of Poliet after acquiring a stake of just 4.7 per cent.

Poliet this week reported a 16.7 per cent drop in first-half net income from FFr360m to FFr300m, which it attributed to lower results in all its sectors.

It said business conditions were unfavourable throughout the period, with an 8 per cent decline in new housing starts and slightly weaker demand for renovation work.

AGF posts 48% rise in first half

By David Buchan in Paris

AGF, the recently-privatised French insurance group, yesterday reported a 48.5 per cent surge in first-half net profit to FFr723m ($141m), due to improving non-life business in France and a strong performance abroad.

The jump in profit came from premium income and sales worth FFr33.8bn. In terms of AGF's current structure, this represented a 5.4 per cent increase, although it was 17 per cent down on first-half turnover of FFr40.9bn in 1995 because of subsequent asset sales.

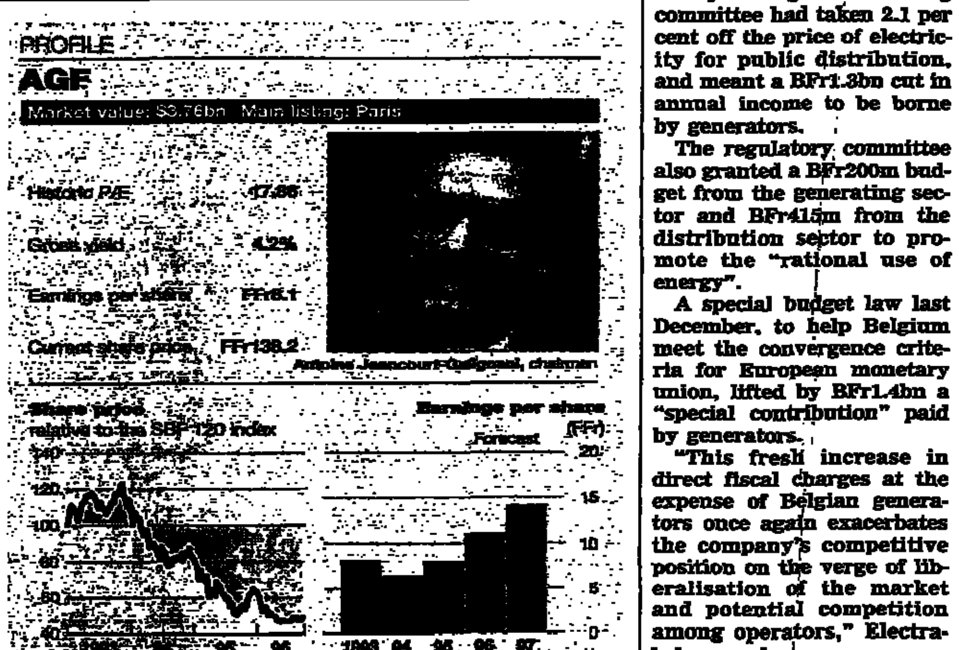
AGF committed itself at the time of privatisation to a two-year programme of asset disposals to improve profitability. Yesterday it said it had sold French property to the value of FFr5.3bn in July. It also sold FFr2.75bn of equities for a FFr883m capital gain recorded in yesterday's first-half results. Overall, AGF plans to sell between FFr5bn and FFr7bn of its main equity stakes.

The insurance group also hinted at further disposals in banking. It said that its real estate financing arm, Comptoir des Entrepreneurs, had halved its loss to FFr32m in the first half, and said the interim loss of Banque du Phénix had only slightly increased to FFr51m.

The group said the increased loss in this sector, from FFr203m in the first six months of 1995 to FFr346m this year, was due to a FFr245m provision to cover losses on future disposals.

Discounting the one-off impact of a successful policy distributed by the French Post Office, life assurance business in France increased by 8.8 per cent in the first half. Non-life insurance business grew much less fast, but was more profitable, increasing its contribution to first-half profits by 12 per cent to FFr364m.

Business was generally brisk and profitable outside France, doubling its profit contribution to FFr428m. Premium income, discounting the effect of asset disposals in Portugal, Chile and Africa, rose 7.7 per cent overall, with slower growth averaging 2.7 per cent in Europe but much higher rates of increase in Brazil, Asia and Canada.



Lukoil and Arco develop alliance

By Chrystia Freeland in Moscow and Robert Corzine in London

Lukoil, Russia's biggest privatised oil group, yesterday cemented its strategic alliance with Arco, the Los Angeles-based US oil company, by establishing a joint venture.

Backed by a promised $5bn credit line from Arco's US parent, the new partnership, Lukarco, will invest in oil and gas exploration and development projects, mainly in Russia and other areas of the former Soviet Union. Lukoil controls 56 per cent of the joint venture, with the minority stake owned by Arco.

The strategic link between the two, one a financially strong but resource-weak western company, the other an asset-rich but cash-poor Russian group, has been held up as a model for the development of the Russian oil industry.

Mr Vagit Alekperov, under whose stewardship Lukoil has emerged as the leader in Russia's oil business, hailed the joint venture as an "unprecedented" step in co-operation between a western and a Russian oil company.

He also said Arco's decision to make such a strong commitment to Russia "points to western investors' growing confidence in the stability of Russia's political and economic course".

Arco's initial purchase of Lukoil shares last year was seen by some as a gamble, given that there was no formal agreement to expand the relationship. But that strategy has been "vindicated" by yesterday's deal, according to Mr Stephen O'Sullivan, oil analyst at MC Securities in London.

Lukoil is Russia's most highly valued company and prides itself on being the first choice of outside investors looking for blue chip shares in the country. But executives admit they lack the financial resources to independently pursue new projects, including mega-deals in the Caspian Sea and north Africa.

Arco, which has been working closely with Lukoil over the past year, owns a 7.99 per cent stake in the Russian company.

Petronas plans third Yankee bond

By James Kynge in Kuala Lumpur

Petroliam Nasional (Petronas), Malaysia's state oil and gas corporation, yesterday reported a 48.3 per cent increase in full-year net profit. It also announced it would launch a yankee bond early next month to finance expansion in Malaysia.

Turnover for the year to March 31 1996 rose from M$18.09bn to M$22.25bn, while pre-tax profit climbed from M$7.08bn to M$8.56bn (US$3.43bn). Total assets were M$58.05bn, up from M$48.13bn last year.

Mr Hassan Marican, Petronas president, said a global roadshow for the yankee deal would start in the last week of September; the issue itself was likely to come to market after the first week of October. He said the maturity and value of the issue would be decided after the response from the roadshow had been assessed.

He dismissed suggestions that the decision to proceed with an investment in Iran in spite of the threat of US sanctions might dampen demand for the bonds. In June, the company signed to take a 30 per cent stake in two oilfields in Iran through its Petronas Carigali Overseas subsidiary. Petronas has made two successful issues of yankee bonds in the past, of $500m in 1993 and $1bn in 1995.

The money raised through the next issue is earmarked to finance continuing expansion in exploration and in downstream operations in Malaysia. The company plans to spend M$6bn on domestic exploration in the current financial year, against M$5.77bn the previous year. It is also adding 100,000 b/d capacity to a refinery in Melaka, which is expected to be completed by early 1998.

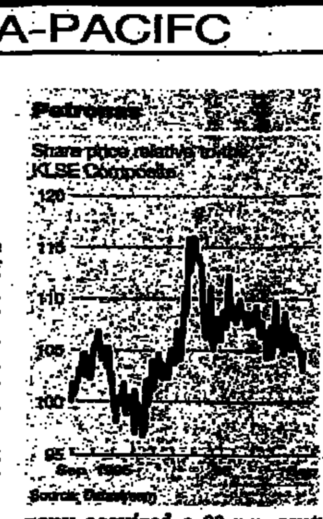
Commenting on the results, officials attributed the climb in net profits to an increase in oil and gas production, and to gains from extra refining capacity which came on stream during the year. Production of crude oil and natural gas liquids rose from 674,000 b/d to an average 715,000 b/d. Of this, crude output was 630,000 b/d, about 40 per cent of which was exported.

Gas production, handled by the company's listed subsidiary, Petronas Gas, jumped 27 per cent to 3,759m cubic feet per day, indicating the increasing importance of the fuel in many sectors of the domestic economy.

Malaysia's reserves were estimated at 4bn barrels of oil and 80,200bn standard cubic feet of gas at January 1 1996, making the country's oil and gas reserves the 24th and 11th largest in the world, respectively, the company said.

At the company's current rate of exploitation, existing recoverable reserves would dry up in 18 years, Mr Hassan said. This limited timespan has put pressure on the company to look abroad for new resources, he added.

The biggest deal of this calendar year was in downstream operations. The company acquired a 30 per cent stake in Engen, South Africa's biggest oil retailer, for around US$436m. Analysts believe Petronas is likely to use its South African refining capacity to process crude it buys from Iran.

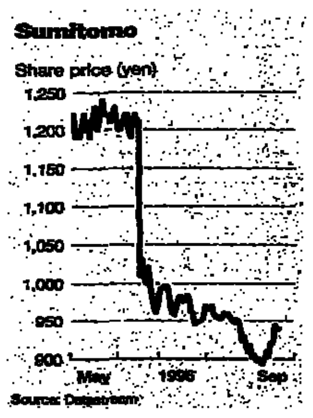


Bruises still showing at battered trading house

Disgraced Sumitomo has the depth to bounce back from the Hamanaka copper legacy

After three months of sifting through 2,000 boxes of documents and trading records, executives at Japan's Sumitomo Corporation believe they can put a definitive figure on the losses caused by Mr Yasuo Hamanaka, its former head copper trader: $2.6bn.

Since June, when Sumitomo announced the dismissal of Mr Hamanaka and put its first estimate of the losses at $1.8bn, morale has plunged as the company has been criticised by the industry for what is seen as lack of disclosure.



Although many impatient investors have already sold their Sumitomo share holdings, depressing the price by 22.3 per cent since June, yesterday's revelation that it will now incur a net loss of Y217bn ($2bn) for the first half and a loss of Y150bn for the full year could further depress the stock.

According to Mr Kenji Miyahara, Sumitomo president, the loss figure widened 44 per cent from the initial estimate because a sluggish copper market and complex derivative positions made immediate assessments of losses extremely difficult.

However, while the copper losses were worth six years of Sumitomo's recurring earnings, the company will probably be able to survive the blow. The cut in its credit ratings and expected increase in borrowing could push up funding costs. But with Y400bn in unrealised gains on securities, and capital of Y715bn, the loss will not affect Sumitomo in the long term, says Mr Kota Nakako, analyst at SBC Warburg in Tokyo.

Even with the affair tainting its reputation, it has managed to seal new deals, including a television investment in Asia and a copper mine development in Indonesia.

With the economy on the way to recovery, the company's earnings in other sections are likely to rise, say industry analysts.

Now, with financial questions answered, investors are likely to focus on why and how Sumitomo allowed Mr Hamanaka to accumulate such large losses.

Executives were not forthcoming yesterday with the details of Mr Hamanaka's trades, saying only that an official announcement would be made early next year, when its internal investigation team of accountants, lawyers and other specialists are expected to finish a report.

The structural reasons for the affair are evident. One factor is the rise in risks related to operational and regional diversity. Others include the decline in profitability of traditional business areas, and the export and import of materials and goods including physical metals and textiles.

Since the start of the 1980s, Japanese trading companies have been forced to look at new business areas in order to diversify profit sources.

This propelled many of the leaders to turn to *zaitech*, or financial investments, during the asset "bubble" of the late 1980s, while more recently, they have focused on multimedia, telecommunications and industrial parks.


Yasuo Hamanaka: trading losses now estimated at $2.6bn

The search for higher profit margins was spurred by the loosening of the *keiretsu*, or corporate groupings interlinked by traditional business relations and cross-shareholdings.

In Sumitomo's case, the jump in profits at the company's copper division, thanks to Mr Hamanaka's trading, was a boon in the mid-1980s, when margins from the import and export of physical copper were being eroded.

Sumitomo has revealed that Mr Hamanaka's copper trading losses started in 1985, when he lost Y6.4bn in unauthorised trades and covered his tracks through further secret transactions. But the bulk of his losses were made in the 1990s, when pressure to raise profits heightened after the burst of the asset "bubble".

The typical Japanese style of risk management, based on full trust, became a liability at a time when employees were feeling the need to show profits. The company's eagerness to raise profitability also seems to have helped Mr Hamanaka evade corporate control.

Mr Miyahara admits that Japanese companies faced pressure to reassess traditional management systems. "We probably have to assume that people are bad rather than good," he says.

Although it has learned its lesson, Sumitomo says it has yet to bring in a new control system for its employees. Even over its financial trades, it lacks a central computerised system where an executive can check on the company's various financial positions.

However, it will try to implement a computer-based risk management system once the the internal investigation is done.

Emiko Terazono

ASIA-PACIFIC NEWS DIGEST

Renong climbs 96% at year-end

Renong, one of Malaysia's largest conglomerates, reported a better than expected 96 per cent increase in its full-year net profit yesterday, due to strong contributions from toll-road and property affiliates.

The company's net profit surged from M$207.83m to M$407.11m (US$163.4m) in the year to June 30. The Estimate Directory average of 30 analysts' forecasts predicted Renong's net profit at M$365.4m. Earnings per share jumped from 12.6 Malaysian cents to 23.6 cents. Turnover grew from M$319.1m to M$1.1bn and pre-tax profit also jumped, from M$269.4m to M$682.02m. The company did not comment on the results, which significantly outperformed predictions.

Renong has interests in more than a dozen listed companies involved in telecommunications, transport, hotels, construction, finance, and oil and gas. Its 33 per cent-owned United Engineers, which operates a lucrative toll road up and down the Malaysian peninsula, announced yesterday that its first-half net profit, to June 30, climbed 80 per cent to M$203.9m.

Other Renong subsidiaries have also performed well, analysts said. The sale of a large plot of land by its subsidiary Prolink in the southern state of Johor also boosted earnings. The land was sold for development purposes. *James Kynge, Kuala Lumpur*

Optus chief steps down

The chief executive of Australia's Optus Vision pay-TV company, Mr Geoffrey Cousins, said yesterday that he would step down from the position to become chairman. Mr Cousins said he will assist in finding a new chief executive.

Meanwhile, Optus Vision, which claims more than 100,000 subscribers, said it had signed a long-term exclusive programming agreement with DreamWorks, the company headed by Mr Steven Spielberg, former Disney head Mr Jeffrey Katzenberg, and record producer Mr David Geffen. The company said it will also add five new channels to the Optus network by January 31. *AFX-Asia, Sydney*

HK bus group oversubscribed

The flotation of shares in Hong Kong-based bus-line operator Kwoon Chung Bus Holdings was subscribed 53.5 times, the company said yesterday.

It received applications for 2.84bn shares compared with 53.1m shares available for public subscription. Another 5.9m shares for staff were fully allotted. Kwoon Chung is raising the cash in order to expand its bus-related business in Hong Kong and China. *Reuter, Hong Kong*

Sri Lanka plans telecoms sale

Sri Lanka plans to sell a 35 per cent stake in state-owned Sri Lanka Telecom (SLT) to a strategic investor, officials in charge of the government's privatisation programme said yesterday.

The sale was recommended by a consortium which was asked to find a way of restructuring the state telecommunications company, an official of the Public Enterprise Reform Commission said. The consortium involves Deutsche Morgan Grenfell, Deloitte Touche Tomatsu International, Slaughter & May, and Development Finance Corp of Ceylon (DFCC). *Reuter, Colombo*

Lippo looks to sweeten restructure for investors

By Manuela Saragosa in Jakarta

Lippo Group, one of Indonesia's largest conglomerates, yesterday unveiled a series of "sweeteners" aimed at wooing sceptical investors opposed to a controversial restructuring of the minority shareholdings of three of the group's listed companies.

The restructuring is viewed as a deal which allows Lippo's founding shareholders – the Riady family – and other principal investors to extract about Rp900bn ($387m) from the group's listed companies. It involves Lippo Securities buying a 27 per cent stake in Lippo Life Insurance, which in turn would buy a 40 per cent stake in Lippo Bank.

Under the proposed deal, the Riadys would sell almost all of their direct stake in Bank Lippo, while significantly reducing their holdings in Lippo Life and Lippo Securities.

Mr James Riady, Lippo Group deputy chairman, said the proposed move did not reflect reduced confidence in Indonesia's political and economic prospects following recent riots.

Denying claims that proceeds from the restructuring would be invested offshore, he said: "We have a free choice of investment in Asia and would still rank Indonesia as the best."

The sweetened terms include a waiver of the Riady family's management fee of 10 per cent of Lippo Bank's pre-tax profit, regardless of whether the restructuring is approved at a shareholder meeting scheduled for September 27.

In addition, the price of Lippo Securities' acquisition of part of Lippo Life was reduced from Rp244bn to Rp237bn, and Lippo Life's purchase price of part of Lippo Bank was cut from Rp658bn to Rp638bn.

The reductions will come from promissory notes which are being used to finance the bulk of the acquisitions, as well as cash payments.

The Riady family pledged to "plough back" proceeds from promissory notes in a proposed rights issue of between Rp500bn-Rp1,000bn at Lippo Securities within the next 12 months.

However, Mr Riady did not specify exactly how much of the proceeds his family would use in subscribing to the proposed rights issue. He said the family's stake in Lippo Securities stood at 19 per cent but would be increased to about 50 per cent over time.

Sales to state help lift YTL by 57%

By James Kynge

YTL, a leading Malaysian power producer and construction company, reported a 57.5 per cent increase in full-year net profit. It attributed the improvement to increased electricity sales to the state utility, Tenaga Nasional.

The company said its net profit rose from M$185.81m to M$291.80m ($116.8m) in the year to June 30. Turnover climbed from M$1.02bn to M$1.61bn, while pre-tax profits jumped from M$231.26m to M$356.08m.

Earnings per share were up from 36.4 cents to 53.9 cents. The company did not comment on the results.

Industry analysts said the increases were in line with expectations. They said YTL's shares remained attractive because of the perceived deal-making abilities of the company's managing director, Mr Francis Yeoh.

The company this week signed a letter of intent to invest an estimated M$1.5bn in a project to privatise Zimbabwe's electricity generation systems, according to Malaysian state news agency Bernama.

YTL owns 51 per cent in Africa Power, the company entrusted with the privatisation.

The project involves the privatisation of the Hwange Power Station in the north of the country. Subsequently, its six power generators will be leased to Africa Power, which will also build two more power stations at the complex to increase capacity from 920MW to 1,590MW.

YTL was the first of five independent power producers in Malaysia. The company's first power plant, located in the northern state of Terengganu, came on line in September 1995.

● Shares in Khong Guan Holdings were suspended yesterday pending a company announcement, Reuter reports from Kuala Lumpur. Shares of the company, which is in property investment, management services and biscuit making, closed on Wednesday at M$24.80.

Sharp and Sony link in flat TV screen venture

By Michiyo Nakamoto in Tokyo

Sharp and Sony, two of Japan's leading consumer electronics companies, have joined forces in the development of a flat screen which they believe will substantially reduce the cost and difficulty of manufacturing wall-hanging TVs within a few years.

The two companies have signed an agreement to develop jointly flat screen display panels using plasma-addressed liquid crystal display technology that Sony has licensed from a US company.

By using the PALC technology, Sharp and Sony expect to be able to cut the cost of making large flat panels. They also expect to simplify the manufacturing process, thereby speeding up the market launch of affordable, large-screen, wall-hanging TVs.

Japanese consumer electronics companies believe wall-hanging TVs could become a big-selling product if manufacturing costs are slashed. In the US, projection TVs, which enable users to enjoy cinema-like viewing of TV programmes and videos at home, have become increasingly popular among consumers with large living rooms.

However, wall-hanging TVs, which are much thinner than conventional TVs and would reduce the amount of room space needed, are likely to be much more popular in Japan and among consumer with smaller rooms.

Projection TVs are also plagued by problems with picture quality under bright conditions.

Japanese consumer electronics companies have been working to develop flat panels which can provide cinema-quality entertainment in the home. However, the flat panels used today in notebook PCs and other products, such as thin-film transistor liquid crystal displays, are too complicated and costly to make in large sizes.

Although TFT-LCDs are in wide use for small applications, such as notebook PCs and personal digital pads, they are impractical for large applications, such as TVs.

With demand for wall-hanging TVs expected to be concentrated on sizes of about 40 inches, it would take many more years for TFT-LCD technology to be developed – and prices to fall – to make these panels practical for such TVs. Sharp, which is a leading producer of TFT-LCDs, has produced panels of up to 28 inches.

Liquid crystal display panels using plasma, rather than transistors, can be made in a much cheaper and simpler process, the companies say. They plan to deliver initial samples of the large screens in autumn next year, and are hoping to launch products on the market before the Winter Olympics in Japan in early 1998.

Sharp believes plasma-addressed LCD panels will grow into a market worth Y200bn ($1.8bn) by 2000.

Albright & Wilson ahead at £32m after cost reductions

By Patrick Harverson

Robin Paul (right), with Ken Lever, finance director

Albright & Wilson, the chemicals company spun off last year by Tenneco of the US, yesterday reported a small increase in first-half profits despite flat demand in the competitive US markets and lower margins in its core phosphates business.

Pre-tax profits rose 6 per cent from £30.1m to £32m ($49.9m) on virtually unchanged turnover of £358.6m (£359.5m).

Excluding exceptional gains from disposals and £1.3m of restructuring costs, operating profits were £36.9m (£31.7m).

Mr Robin Paul, chief executive, attributed the improved profitability to cost reductions and a turnround in the previously-sluggish sulfactants operation, where job cuts and a concentration on quality, higher-margin business had helped lift profits from only £1.8m to £5.6m.

He said the continued restructuring of the sulfactants business would cost the group about another £2m in the second half. A total of 800 jobs would be cut when the changes were complete.

The core business; phosphates, produced only slightly higher profits of £26m (£25.4m) as margins came under pressure from higher phosphorus prices and sourcing problems in China. Operating margins in phosphates fell from 14.9 per cent to 13.9 per cent.

Mr Paul warned that margins would not improve in the second half, primarily because the phosphates business would incur an extra £1m in costs in refurbishing its Mexican plant.

Speciality chemicals profits rose to £8.2m (£7.6m) on higher demand in most markets and lower raw material costs in Europe. Sales of flame retardants, however, were disappointing.

The group was aided by an easing in raw materials price increases.

These had added £40m to variable costs last year but in the first half added only £6m, which was recouped in higher selling prices.

Earnings per share were 7.2p (7p) and the interim dividend was raised to 2.25p (2.15p). The shares were unchanged at 200½p.

RESULTS

Company	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albright & Wilson ☆	6 mths to June 30	440	(427)	32♣	(30.1♥)	7.2	(7)	2.25	Nov 21	2.15	-	6.5
Alumasc	Year to June 30	152	(65.1)	14.08	(11.2♥)	24.3†	(21.9)	5.55	Oct 25	5.2	8	7.5
AMD Int Publishs ◊	6 mths to June 30	3.2	(5.7)	0.29	(0.52♥)	-1.06	(1.85)	-	-	-	-	-
Bilston & Battersea	6 mths to June 30	3.2	(2.8)	0.192	(0.035)	1.4	(0.2)	nil	-	nil	-	nil
Blagden Inds	6 mths to June 30	127	(124)	7.4♥	(4.2)	7	(3.7)	1½	Oct 22	nil	-	2
Brent Walker	6 mths to June 30	853	(862)	51.6L♥	(51.4L♣)	13L†	(13.7L)	nil	-	nil	-	nil
Camas	6 mths to June 30	182	(186)	4.9	(6.7)	1.1	(1.53)	1.25	Dec 2	1.25	-	3.75
Capital Inds	6 mths to June 30	42	(45.4)	3.87♥	(3.56)	8†	(8.9)	2.7	Dec 6	2.5	-	5.2
Clinton Cards	6 mths to Aug 4	67.3	(50.8)	2.34L	(2.79L)	8.15L	(10.68L)	1.85	Nov 14	1.75	-	5.1
Compel	Year to June 30	85.6	(70)	3.24	(2.88)	13.6	(11.8)	3.11	Nov 1	2.87	4.65	4.3
Daniels (S)	6 mths to June 30	9.6	(21.2)	0.081	(3.09L♣)	0.3†	(36.7L)	0.1	Nov 29	nil	-	0.1
Dolphin Packaging	6 mths to June 30	19.17	(18.03)	2.53	(1.48)	7.46	(4.36)	2.5	Nov 11	1.9	-	5.2
Era	6 mths to June 30	32.2	(25.3)	2.57L	(1.78L)	1.49L	(1.02L)	-	-	-	-	0.1
Fired Earth	6 mths to June 30	3.5	(3.2)	0.254	(0.205)	3	(2.6)	1.1	Nov 21	1	-	2
Fortune Oil	6 mths to June 30	130.5	(28.7)	1.7	(1.03)	0.13	(0.09)	-	-	-	-	-
French Connection	6 mths to July 31	36.8	(33.3)	1.59	(1.28)	4	(3.5)	0.5	Oct 30	-	-	2
Gander ◊	6 mths to July 31	0.664♣	(0.49)	0.208	(0.248)	0.06†	(0.11)	nil	-	nil	-	nil
Geest	6 mths to June 29	207	(355)	22.7♥	(4♣)	28.8	(1.3)	3.7	Dec 27	3.7	-	8.1
Go-Ahead	Year to June 29	135	(112)	11.57♥	(8.52♣)	24.6†	(21.9)	3.7	Nov 28	3.2	5.55	4.8
IBC Group	6 mths to June 30	60	(48.3)	7.22	(6.4)	14.8	(13.1)	3.3	Nov 11	3	-	8
Irish Life ‡	6 mths to June 30	382#	(414)	48*	(34)	-	(-)	3.55	Nov 22	3.25	-	11
Leeds Improvement	6 mths to June 30	20.8	(1.41)	1.88	(0.26)	3.79	(0.71)	1.75	Oct 31	1.75	-	4.75
Morrison (Wm)	6 mths to Aug 4	1,093	(1,000)	55.2	(51.1♣)	4.52†	(4.3)	0.325	Nov 4	0.275	-	1.4
New Ireland ‡	6 mths to June 30	174§	(125)	4.96	(5.29)	28.7	(27.7)	4.87	Oct 18	4.24	-	16.86
PizzaExpress	Year to June 30	44.3	(30.7)	10.21	(6.84)	13.6	(8.4)	2	Nov 4	1.8	2.7	2.2
Rathbone Bros	6 mths to June 30	14.4	(12.7)	4.38	(3.54)	11.38†	(10.65)	4	Oct 15	3.5	-	10
Ricardo	Year to June 30	102	(86)	4.74	(6.16)	5.9†	(9)	4.3	Nov 29	4.3	6.3	6.3
RMC Group	6 mths to June 30	2,115	(2,226)	95.8	(130.3)	22.2†	(31.1)	7.8	Dec 2	7.7	-	25.3
Servisair	6 mths to June 30	89.7	(57.7)	0.926	(1.45)	1.5	(2.6)	1.65	Nov 27	1.4	-	4.3
Sherwood Group	6 mths to June 30	81	(65)	3.75	(7.24)	1.9	(3.8)	1.3	Nov 21	1.3	-	3.6
Spandex	6 mths to June 30	47.5	(42.7)	4.46	(4)	8.6	(7.7)	1.1	Jan 10	1	-	2.85
Steel Burrill	6 mths to June 30	20.6	(22.2)	1.45	(3.8)	1.74†	(5.15)	0.75	Nov 7	1.5	-	4.5
Sun Life §§	6 mths to June 30	-	-	92.5	(-)	11.13	(-)	-	-	-	-	-
United Carriers	6 mths to June 30	67.3	(65)	0.75	(1.4L♣)	1.9	(5.8L)	1.6	Oct 23	1.6	-	3.2

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brunner	Year to Nov 30	-	(-)	-	(-)	-	(-)	3.4†	Nov 25	3.2	6.3	5.9
Fleming Natural	6 mths to June 30	129.7	(102.8)	0.271	(0.331)	0.66	(0.81)	-	-	-	-	0.54

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣After exceptional charge. ♥After exceptional credit. †On increased capital. ◊Aim stock. §USM stock. ☆Comparatives restated. ‡Payable at foreign income dividend. "Gross written premiums. Total income. #Premium income. *Embedded value earnings. §Irish currency. §§Pro forma results. Second interim in lieu of final – special non-recurring 1.80 also declared.

LEX COMMENT

BICC

BICC's explanation for its £170m rights issue – that its balance sheet is stretched and it has lots of investment ideas – begs some tricky questions. For a start, even counting preference shares as debt, was the balance sheet really so pressed? Gearing of more than 200 per cent may look scary, but this measure is pretty meaningless. Interest cover is a better yardstick: although tightish at around 3 times, this is set to grow healthily, despite all BICC's investment plans. At half its market capitalisation, the group's debts were certainly manageable.

The obvious conclusion is that BICC wants even more headroom for investment. In optical fibres and data cables, where margins are fat and the company has a competitive edge, this would probably be no bad thing. But even here, over-optimism would be unwise: today's premium product always risks becoming tomorrow's over-supplied commodity. The real worry, though, is that a looser balance sheet will allow BICC's depressed Balfour Beatty construction side to take on more risk, notably on privately financed infrastructure projects, than it can sensibly handle. In a cut-throat market, returns on these projects may well prove disappointing.

In truth, investors would probably have preferred BICC to have sold Balfour Beatty, even if the price were less than sparkling. As it is, yesterday's earnings-dilutive rights issue leaves the shares' rating, at 16-17 times next year's earnings, looking distinctly racy.

Servisair expands with Air France

By David Blackwell

Servisair, the rapidly-growing independent aircraft and passenger handling company, yesterday announced a further joint venture with Air France which would take it into ground handling at London Heathrow Airport.

The two already have a cargo handling joint venture at Heathrow which recently won contracts with Malaysian Airways and Cyprus Airways and is expected to move into the black next year. Mr Tony McCann, chairman, said the proposed ground handling venture still required various regulatory approvals – "but our confidence level is high".

Meanwhile, the cost of new contracts knocked back interim pre-tax profits for the six months to June 30 from £1.45m to £926,000. But excluding losses of £741,000 on two contracts in Sweden and £320,000 on Heathrow cargo handling, profits were 37 per cent ahead at £1.99m.

Overall, the ground handling market had been affected by the holiday industry's cuts of about 10 per cent in charter flights, but this had been offset by the growth in scheduled flights.

Mr McCann said airline travel was forecast to increase by 4-5 per cent for years to come, and outsourcing by airlines was bound to grow.

LEGAL NOTICES

IN THE MATTER OF
CANALION LIMITED
and
IN THE MATTER OF THE
CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 20th day of October 1996 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 20th day of September 1996
Dinos N Papadopoulos
Liquidator

Hanson America Inc.

2.39% Senior Exchangeable Discount Notes Due 2001

Reference is made to the Consent Solicitation Statement, dated August 28, 1996 (the "Solicitation Statement"), relating to the solicitation by Hanson America Inc. ("Hanson America"), on behalf of itself and as agent for each of Hanson PLC ("Hanson") and Hanson (Bermuda) Limited ("HBL"), of consents to Proposed Amendments to (i) the Indenture pursuant to which the 2.39% Senior Exchangeable Discount Notes Due 2001 (the "Notes") of Hanson America, including the ADS Rights appurtenant thereto issued by HBL to acquire American Depositary Shares representing Ordinary Shares of 25p each of Hanson, were issued, (ii) the ADS Rights Agreement pursuant to which the ADS Rights were issued, and (iii) the ADS Issuance Agreement relating to the issuance of Ordinary Shares and delivery of ADSs pursuant to the exercise of ADS Rights (collectively with the Indenture and the ADS Rights Agreement, the "Note Instruments"). See the Solicitation Statement for the definitions of capitalized terms used herein and not defined herein.

The consent of Holders of more than a majority in aggregate principal amount due at the stated maturity of Notes has been obtained to implement the Proposed Amendments. The Amendment Documents (i) specifically permit the Demergers by Hanson of its chemicals, tobacco and energy businesses without compliance by Hanson America or Hanson, as the case may be, with certain covenants in the Note Instruments relating to consolidations, mergers or transfers of assets, (ii) specifically permit the prepayment by Hanson America of the US$2.25 billion loan from Hanson Antilles N.V., an indirect wholly owned subsidiary of Hanson, to Hanson America on or after the Demerger Date, (iii) upon consummation of the Chemicals Demerger, if it occurs, provide that the delivery by Millennium of certain financial information will satisfy the covenant set forth in the Indenture to deliver financial information in respect of Millennium America, and (iv) upon consummation of the Chemicals Demerger, if it occurs, eliminate the limitations on the grant of security interests in the assets and properties of Millennium America or its subsidiaries and the limitations on incurrence of additional indebtedness by subsidiaries by Millennium America.

September 20, 1996

YEN 15,000,000,000
AKTIEBOLAGET SPINTAB (SWEDMORTGAGE)
Subordinated Floating/Variable Rate Notes due 2002

Interest Rate 0.81172%
Interest Period September 19, 1996 – December 19, 1996
Interest Amount due on December 19, 1996 per YEN 100,000,000 YEN 205,185

BANQUE GÉNÉRALE DU LUXEMBOURG
Agent Bank

Sam Yang Corporation
(formerly known as Sam Yang Co. Ltd.)
(Incorporated in the Republic of Korea with Limited Liability)
US$50,000,000
4 per cent. Bonds due 1998 with Warrants to subscribe for Non-voting Shares of Sam Yang Corporation.
Notice of Adjustments to Subscription Price

NOTICE IS HEREBY GIVEN to the holders of the above described Bonds with Warrants that, following the Dividend in Shares to the Shareholders by the Issuer on the basis of 0.02 per common shares, the Issuer announced on 29th August, 1996 that the Subscription Price of Korean Won 23,266 per Non-voting Share has, in accordance with the terms and conditions of Instrument dated 6th April, 1993, been adjusted to Korean Won 22,913 per share with effect from 1st July, 1996.

September 20, 1996
By: Citibank, N.A., (Corporate Agency & Trust) London CITIBANK

Notice to the holders of
ELI LILLY AND COMPANY
8⅛% Notes Due February 7, 2000
ISIN Code: XS0055442544

NOTICE IS HEREBY GIVEN that the coupons attached to the definitive notes in denominations of U.S.$10,000 and U.S.$100,000, relating to the subject issue, contain a misprint in the description of the Notes and should, in both cases, be read as:

"8⅛% Notes Due February 7, 2000"

September 20, 1996, London
By: Citibank, N.A. (Corporate Agency & Trust), Fiscal and Paying Agent CITIBANK

BICC seeks £170m via rights issue to fund growth

By Tim Burt

BICC, the UK cables and construction group, yesterday launched a £170m rights issue to rebuild its balance sheet and fund an ambitious expansion programme.

The company, which has undergone a large-scale restructuring in the past 18 months, said proceeds from the rights issue would cut gearing from 80 to 32 per cent and clear the way for a £215m investment. Mr Alan Jones, chief executive, said the group planned to spend about £140m to expand manufacturing of optical and data communication cables, and a further £40m on enhancing its presence in Asia and the Pacific Rim.

He said the investment would double BICC's capacity in optical fibres, making it one of the world's largest cable manufacturers along with Pirelli of Italy and Alcatel Alsthom of France. The UK group has also vowed to invest £35m in privately financed infrastructure projects by Balfour Beatty, its construction arm.

"During the restructuring, investment plans in these areas have been under terrific pressure," said Mr Jones. "Now we can act to meet those demands."

He indicated that the rationalisation programme – involving plant closures and non-core disposals – was largely complete. But he added: "Exit routes will be sought for any businesses which do not meet our [growth] criteria."

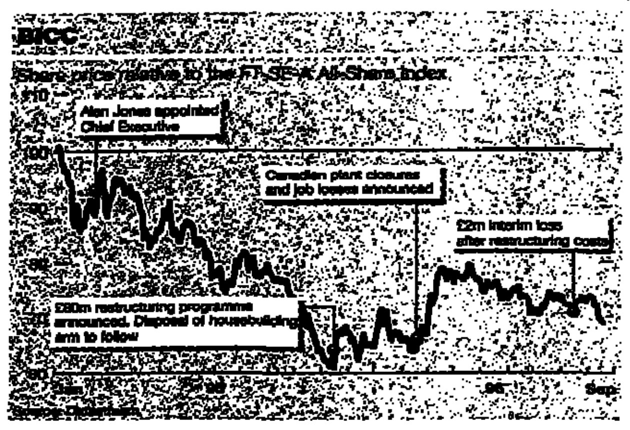
analysts broadly welcomed the 2-for-11 rights issue, which will cut the group's £374m net borrowings by more than 45 per cent. Some warned BICC would have to boost working capital and financial controls to prevent further strain on the balance sheet.

Lord Weir, group chairman, defended the group's cash management, saying: "Cash flow in the first half of this year was encouraging. Capital expenditure and rationalisation costs increased but were more than offset by improved working capital ratios."

He also predicted the group would soon finalise the disposal of its remaining property projects, expected to raise £40m-£50m.

The company underlined its commitment to privately financed infrastructure projects by announcing its selection as the preferred bidder for a new hospital in Durham, adding that it was on the shortlist of bidders for a waste-to-energy plant in Scotland. Lord Weir said the investment required for such projects, and the expansion in cables, justified the £170m rights issue.

See Lex



Inchcape prepares for demerger

By Ross Tieman

Inchcape will next week begin preparing the ground for the November demerger of its Bain Hogg insurance broking subsidiary.

On Tuesday, just 24 hours after revealing its first-half results, the international trading group will hold separate briefings with analysts on the performance of its insurance arm.

Hoare Govett has been hired, in place of Inchcape's own broker, SBC Warburg, to assist merchant bank Barings in preparing an introduction to the official list.

Although flotation remains a second-string option, Inchcape is expected to make clear on Monday that demerger, with shares in Bain being issued free to Inchcape investors, is the most likely route to the disposal.

Inchcape's desire to raise cash through a flotation has been diminished because receipts from the impending sale of its Testing Services business will be some £80m more than forecast.

Completion of the £380m sale to a consortium led by Charterhouse and Bankers Trust is not expected for another two or three weeks. The winning consortium outbid six rivals, but discussions have been prolonged by the complexity of the business.

Receipts from the Testing Services sale will enable Inchcape to redeem most of its net debt of £463m at December 31, freeing cash for investment in its core vehicle trading and soft drinks bottling businesses.

Bain Hogg, Britain's leading insurance broker to the retail trade, also has successful operations in continental Europe, Asia and Africa. But it has no place in the group development strategy drawn up by Sir Colin Marshall, who took over as chairman in January, and Mr Philip Cushing, chief executive.

Bain Hogg was created in 1994 when Inchcape acquired Hogg to merge with its existing broking operation, Bain Clarkson. Last year it made operating profit of £28.7m.

During the half to June 30, market conditions have continued to soften. Analysts believe that rated against similar businesses in the sector, such as Willis Coroon or Sedgwick, Bain Hogg could merit a market capitalisation of £150m-£250m.

Lotus' future still unclear

By John Griffiths

Group Lotus's wary and increasingly exasperated 1,000 employees have been told by the sports car and engineering concern's owner, Mr Romano Artioli, that a new "partner" for the business will be signed by the end of the month.

But with still no sign of an Italian rescuer, also promised by the same date, for Mr Artioli's Italian and Luxembourg Bugatti companies – both in receivership – Lotus employees yesterday were reluctant to accept his assurances.

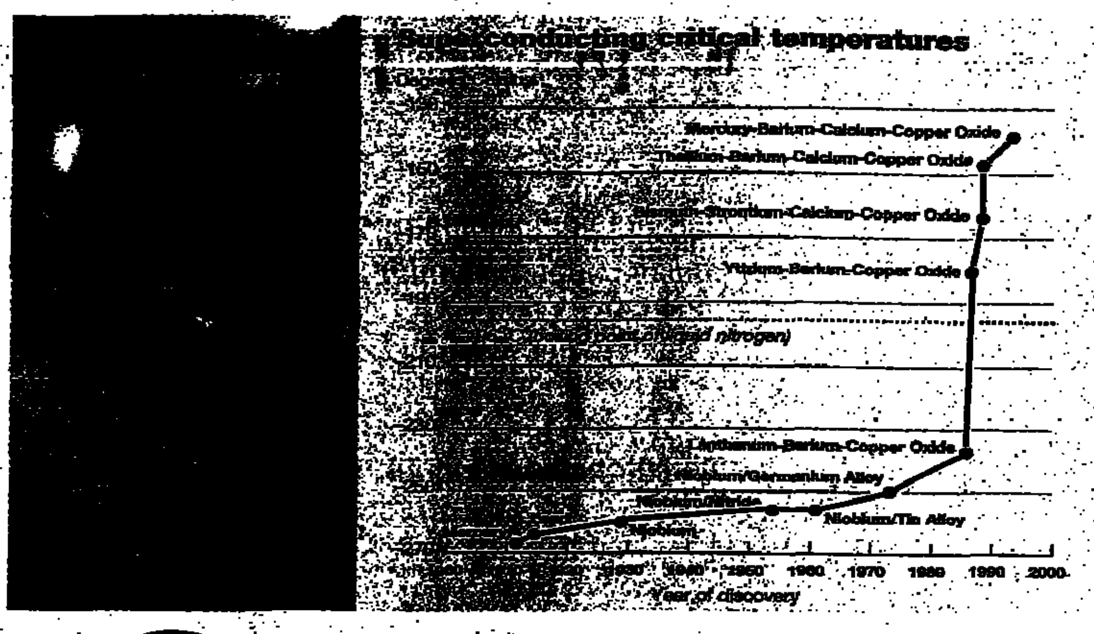
Uncertainty about the future of the company, which is facing a severe cash shortage, was heightened by Mr Artioli's refusal to issue an outright denial of reports that he has decided, after all, to sell Lotus to Korean car maker Daewoo for £50m.

Daewoo and Mr Artioli entered negotiations nearly a year ago. As recently as March, Daewoo thought it had concluded an outline agreement with the Italian entrepreneur.

French Connection

French Connection, the fashion retailer, announced interim sales up 10 per cent to £36.6m and pre-tax profits 32 per cent ahead at £1.69m. While it expanded in all other areas, tough trading conditions in France caused turnover there to slip £300,000 to £1.1m in the six months to July 31.

TECHNOLOGY



Current attraction

High temperature superconductors, which can cut noise in mobile phones, are promising to fulfil their potential, writes Carol Jones

Next time your train journey or restaurant visit is disturbed by someone talking loudly into their mobile phone, relax – soon this obtrusive chatter could be a thing of the past.

These voluble conversations are not just for show. Severe overcrowding of the airways, caused by the sharp increase in numbers of mobile phones, pagers, and two-way radios over recent years, produces "noise" that can drown out many a conversation.

Much of the noise is already filtered out at the cell site base station. But now, new filters containing high temperature superconductors are being used in the US to eliminate a lot of the remaining noise. The filters also reduce the number of dropped calls and increase the number that can be taken at any one time by the base station.

The development is an example of one of the growing number of applications that show high temperature superconductors are at last promising to fulfil their potential.

A superconductor is a material with no electrical resistance. This simple phenomenon has fascinated scientists for years and although materials with this capability were discovered 85 years ago by Kammerling Onnes, a Dutch physicist, it was not until 1957 that John Bardeen, Leon Cooper and Robert Schrieffer figured out how they worked.

It was said that superconductors would "change the world," providing cheaper electricity, noise-free motors, faster public transport, and better health screening. The only problem was that, until recently, materials became superconducting only at very low temperatures – achieved by immersing them in liquid helium. Using superconductors was either impractical or too expensive.

But the picture is now changing, as several big advances have been made over the past decade.

This month is the 10th anniversary of an important advance in superconductivity by George Bednorz and Alex Muller at IBM research laboratories in Zurich. They showed decribed how a mixture containing barium-lanthanum-copper oxide became superconducting at -238°C – its "critical temperature" for superconductivity. Above this temperature, the material behaves like a normal conductor.

This discovery was unusual not only because of the increase in the critical temperature – the previous record being held by a niobium-germanium alloy at -250°C – but also because the material was a ceramic and not a metal (or metal alloy) like other known superconductors.

Although Bednorz and Muller did not initially appreciate the significance of this discovery, they were awarded the Nobel Prize the following year.

A few months later, Jim Ashburn and Maw-Kuen Wu from the University of Alabama and Paul Chu from the University of Houston revealed that a compound consisting of yttrium-barium-copper oxide (YBCO) became superconducting at -180°C, a "high temperature superconductor". This meant that the material could be made superconducting by immersing it in liquid nitrogen, rather than the much more expensive liquid helium.

The race was now on to find materials with even higher critical temperatures. The record is held by a compound based on mercury-barium-calcium-copper oxide at -138°C.

But, several problems in applying these materials emerged. The uninhibited flow of current was hindered by high magnetic fields, and boundaries between crystals in some of the most promising materials stopped current flow completely. Just like other ceramics, these materials were proving impossible to machine or to form into wires.

By 1990, new ideas for processing these materials were coming to the forefront. For example, in order to produce wires, scientists from the American Superconductor Corporation pack powdered ingredients of the bismuth-based superconductor into a thin silver tube. This is then heated and rolled to produce a superconducting tape which can carry one hundred times more current than a conventional copper wire.

This method is not applicable to the yttrium-based superconductor because grinding it into a powder destroys the crystal structure responsible for its superconducting properties. The powdered bismuth-based material consists of regularly shaped crystals which align themselves along the wire axis, allowing current to flow.

Until recently using superconductors was either impractical or too expensive

American Superconducting Corporation has supplied 8,000 metres of bismuth-based superconducting tape to Pirelli, the Italian cable company, which works with BICC in the UK. This is to be incorporated in an underground power transmission system which is expected to be completed by 1998. The company has also supplied superconducting components to Reliance Electric, a division of Rockwell Automation, which have been incorporated into a 200 hp motor.

A further breakthrough in the manufacture of these wires came early this year. Researchers at the Argonne National Laboratory, Illinois, and University of Pittsburgh, realising that most of the current was being carried in the area of the superconductor close to the silver sheath, decided to place a silver thread down the centre of the wire. This results in a fivefold increase in the current carrying capacity of the wire.

Meanwhile, an essential factor in the manufacture of the filters for cellular communications was cost. A simple method for depositing films of the yttrium-based superconductor has been patented by Illinois Superconductor. It involves making a paste containing fine particles of the superconductor which is painted onto a low cost substrate. This is then heated to produce a uniform superconducting coating.

"The cost of producing these thick film coatings is considerably cheaper than the more conventional techniques used for depositing thin films," says Neil Alford, professor of physical electronics at South Bank University in London. Alford has been working in collaboration with Illinois Superconductor and Birmingham University on developing these ultra high performance filters.

There are many other developments in the application of high temperature superconductors. For example, superconducting quantum interference devices, or Squids, developed to detect tiny changes in magnetic fields such as those produced by the brain, are being used to aid medical diagnosis.

"By the end of the century, high temperature superconductors will, undoubtably, play a much greater role in our everyday lives," says Alford.

Meanwhile, lower-temperature helium-cooled semiconductors have not been forgotten. A US-based research team has developed a new generation of super-fast computer chips using loops of niobium connected by thin layers of aluminium oxide.

"Signals can be transmitted virtually at the speed of light," says Kostya Lhikarev, whose research team was formerly at Moscow State University and is now based at the State University of New York.

The chip works about 100 times quicker than the fastest Pentium computer. The amount of heat generated per operation is also extremely low.

MANAGEMENT

Workers tread the corridors of power

The deadline for introducing European works councils is near, says Robert Taylor

European multinational companies have until this Sunday to reach voluntary agreements on the creation of works councils for their employees under European Union law.

After that, they will be required by law to negotiate with their workers on the setting up of consultative and information committees. The deadline applies to every country in the EU except the UK, which is excluded from the works council directive because of the opt-out from the EU social chapter.

In practice, many UK-owned multinationals are having to introduce works councils for their mainland European employees because they fall within the criteria of companies covered by the new rules. None of these companies has opted to keep British workers out of the negotiated works councils, because they do not want to divide their employees or treat their British workers differently.

The companies involved are going through the largest corporate reorganisation at transnational level since the creation of the European Economic Community nearly 40 years ago. The EU rules cover every company that employs at least 1,000 workers with at least 150 employees in each of at least two different member states not just inside the EU but in countries that belong to the European Economic Area.

Padraig Flynn, EU social affairs commissioner, recently described the measure, implemented after 24 years of argument, as "one of the most important legislative steps ever taken by the EU in the field of social policy".

The directive allows 100 employees or their representatives in at least two member states to ask their company formally for the creation of a special negotiating body. This body, made up of between three and 17 members, paves the way for bargaining for a mandatory works council.

A company's management will be legally required to open negotiations in good faith when it receives the request. If the company has not begun negotiations within six months, or if talks break down before an agreement is reached, the company faces having a works council imposed.

The Trades Union Congress calculates that there are at least 39 works council agreements with UK companies, while talks are proceeding with a further 20. In addition, 64 foreign-owned companies operating in the UK have also established, with trade union co-operation, consultative works councils for all their European employees.

Flynn stresses the directive's aim to allow companies and their employees to negotiate on works councils flexibly and freely. "It would be bad news if the directive was applied to the letter," he says. "It was designed to be a flexible instrument and to encourage a voluntary approach."

For the most part, European employers have grown to tolerate, if not love, the emerging bodies. Like the head of many other employers' bodies, Peter Reid, European director of the British Engineering Employers' Federation, has encouraged his members to take a pragmatic view. "We feel vindicated in the advice we have given to our members. The big phobia about union power has been disproved. Unions are being realists about what the new bodies can achieve," he says.

THE PROPERTY MARKET

US builds a new market

Simon London finds there are still some problems with real estate investment trusts

The US real estate investment trust market tends to be regarded as the pinnacle of achievement by proponents of property securitisation, the process of repackaging bricks and mortar into listed securities.

The market these trusts has expanded from $9bn to $80bn since 1990 and now accounts for about 8 per cent of institutionally owned US property. In this context the US has securitised more of its real estate than any other country.

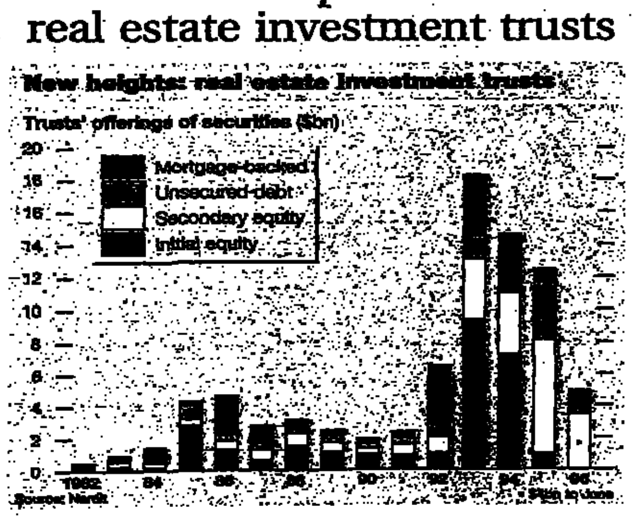
But scratch the surface of the market and you find many of the problems which have bedevilled other vehicles for property securitisation.

It is widely acknowledged that there are too many small trusts, which makes their shares illiquid. Investors such as pension funds and life insurers – which might be expected to gain most from securitisation of real estate – are only modest players in the market.

Reits are essentially property investment companies which benefit from tax-exempt status so long as they adhere to certain rules. Prime among these is the requirement that the trusts should invest 75 per cent of their assets in property, mortgages or liquid securities. They must also distribute 95 per cent of taxable income in the form of dividends.

The requirement to distribute such a high proportion of income makes it difficult for the trusts to grow through retained profits. Many made matters worse by promising investors very high dividend payments when their shares were first offered. The net effect is that they have tended to grow by issuing paper. There were 93 secondary share offerings last year – out of 200 publicly traded trusts – raising a total of $7.3bn. In the first six months of this year a further $4bn was raised from the equity market.

The success of these issues is a testament to the enduring popularity of trust shares. But the paperchase is also a sign that the companies have little discretionary capital to invest in future expansion. Equally, the only way for most trusts to repay debt under normal circumstances is through refinancing of existing facilities.



While this poses no problem when asset prices are stable, refinancing could be more difficult when the banks and public debt markets are nervous.

Many trusts are trying to get round the problem by increasing dividends more slowly than their underlying cashflow. The National Association of Real Estate Investment Trusts, an industry body, says that the average proportion of revenue paid to shareholders declined from 84 per cent to 77 per cent last year. Even so, the tax rules which define the market make it difficult for the trusts to retain capital for reinvestment.

Another way forward is consolidation. This year has seen a number of large mergers between trusts, such as the combination of Simon Property and DeBartolo Realty, which created a $3bn entity specialising in regional shopping malls. Analysts expect more mergers and acquisitions as the market matures. Chateau Properties, a Michigan-based mobile home operator, is the subject of a $400m contested bid battle.

One side-effect of the fragmented nature of the market is that most trust shares are relatively illiquid. They are not, therefore, the answer to the prayers of fund managers for securitised property instruments which can be bought or sold in seconds. "There is no liquidity in most Reits. If a big investor wants to get out overnight they would kill the stock price," says Mr Bill Rouse, chairman of Liberty Property Trust, which has a $900m portfolio centred on suburban offices.

Lack of liquidity is one reason why the market is dominated by mutual funds and private investors rather than big pension funds and life insurance companies. Indeed, the ballooning of the market in the early 1990s was largely fuelled by the large inflows of money into mutual funds, when the rush of flotations in 1993 and 1994 offered them a convenient way of investing that money in high-yielding securities when interest rates were very low.

There are signs that the market is becoming more institutional. Tax changes in 1993 made it easier for pension funds to participate in the market. And life insurance companies are being encouraged by new risk-weighted capital adequacy regulations, which penalise life funds for holding unquoted investments.

Prudential, the large US life company, said recently that it planned to switch part of its direct property portfolio into the trusts, partly because of the new capital adequacy rules. Mr John Parsons of MacGregor Associates, the Chicago-based investment adviser, says that 22 of the top 40 US pension funds are now active investors in the market.

Importantly, investment decisions are usually made by real-estate fund managers rather than equities specialists, suggesting that trust shares are viewed as an alternative to direct property investment rather than as just another sector of the equity market.

Funds are also forming joint ventures with trusts to buy and manage properties. This enables capital-hungry trusts to raise off-balance-sheet finance while giving fund managers access to hands-on management expertise.

The trusts' track record suggests they can add significant value to institutionally owned property. Since 1978, trusts have delivered an average annual total return of 16 per cent, against 8.4 per cent from direct property investment.

These "co-investments" with institutions are likely to lead to a closer relationships and, in time, more investment by pension funds in trust shares. But this is a slow process. "Direct ownership remains the dominant form of institutional ownership of real estate. Reits are a complement to that," says Mr Parsons.

For countries such as the UK which are striving to create a securitised property market, the experience of the trusts offers some important lessons.

Chief among these is that a stock exchange listing does not in itself guarantee liquidity. US fund managers have been quick to realise that there is no real advantage in exchanging illiquid property for illiquid shares.

The overall picture is of a market which is slowly maturing. The end result should be fewer, larger trusts which offer better liquidity to shareholders and are less dependent on public debt and equity markets to finance growth.

UK BUSINESS PROPERTY

This time, perhaps, the dawn is a real one

Evidence is mounting that a sustained recovery is finally at hand – but it may be more muted than one would normally expect at this stage of the cycle, writes Simon London

There have been many false dawns for the commercial property market since the UK economy pulled out of recession four years ago. But evidence is mounting that a sustained recovery in rents and property values is, finally, at hand.

Rental growth is now well established in sectors of the market where modern business space is in short supply. Central London offices and large well-located shops are achieving substantially higher rents than a year ago.

Investors also appear to have regained an appetite for commercial property after the disappointments of 1994 and 1995, which led many fund managers to reduce their property weightings.

While the market has yet to see an institutional "wall of money" chasing property values higher, the amount of capital allocated to bricks and mortar appears to be on a rising trend.

This brighter tone is clearly reflected in the stock market. Property shares have outperformed the wider equity market by about 15 per cent this year. Many larger companies are trading at about their underlying net asset value, compared with a long-run average discount to net assets of close to 20 per cent.

Such heady valuations have only been seen twice in recent years, in 1987 and in 1993. In both cases investors were subsequently rewarded by a sharp increase in property values.

So what are the prospects for 1997?

The economic background is certainly promising. Economic growth is widely expected to accelerate through the second half of this year and into 1997 before slowing down in 1998.

History shows that commercial property tends to outperform other assets as the economy approaches a peak in the rate of growth, especially when this occurs in the aftermath of a general election.

Yet there are several reasons why this cyclical recovery in property values may be more muted than usual.

First, many sectors of the UK property market are still suffering from an over-supply of buildings which were developed during the 1980s. Around the fringes of central London, for example, there are millions of square feet of usable office space - usable, but so poorly located that whole floors and whole blocks are standing empty.

This surplus of secondary space may well have a dampening effect on rents even in the top tier of the market.

Second, demand for business space may be constrained by the environment of margin pressure and cost control in which many industrial and commercial companies are still operating. Squeezing corporate real estate has become part of their culture.

Third, any post-election economic bubble may be tempered by rising interest rates. The cautious stance of the Bank of England – and the nervousness of financial markets – may oblige the chancellor to raise rates earlier than the property market would like.

Finally, the enthusiasm of investors may be constrained by the poor long-term performance of property as a financial asset. Property has now under-performed bonds and equities on a three, five and ten-year view. Against this background it is obviously difficult for funds to justify a substantial re-weighting in favour of real estate.

The net effect of these factors is that commercial property values are likely to step rather than leap higher during 1997.

On current trends, the total return this year from the Investment Property Databank index – the benchmark of UK commercial property performance – is likely to be 8 to 10 per cent.

While this is a shade lower than most investors were expecting at the start of the year, a real return of perhaps 7 per cent is respectable enough.

> Only the natural caution of banks is keeping the enthusiasm of developers in check

Most forecasts for 1997 are projecting a total return of 12 to 15 per cent from the index, comprising an initial income return of about 8 per cent and modest real capital growth based on falling yields.

But such aggregate forecasts are likely to hide a wide spread of performance. Sectors such as leisure parks and retail warehouse parks are basking in the warm glow of approval of both tenants and investors. Investment returns are correspondingly high.

Yet owners of secondary offices in provincial cities, or on the central London fringe, cannot look forward to 1997 with confidence.

The most visible sign of the improved mood is the proliferation of cranes on the skyline of large conurbations such as London and Birmingham.

Plans for Europe's tallest skyscraper in the City of London, promoted by Kvaerner of Norway, are surely the product of a property market in the throes of an upswing.

On a less monumental scale, most of the large UK property companies have embarked on substantial development programmes which involve a mix of new office buildings and shopping centres.

Institutional investors have also placed their bets by financing one round of speculative office development. They will probably finance more developments next year as a way of securing new high-quality buildings.

Only the cautious attitude of banks – still bruised by their losses in the last overheated development cycle – is keeping the innate enthusiasm of developers in check.

That said, Greycoat, the development company, recently raised limited recourse loans to finance two small City of London developments. Argent, its rival, has pieced together a £250m development funding package to finance speculative schemes in the City of London, Thames Valley and Birmingham.

So far only a few banks have been willing to back speculative development – and then only on stringent terms. But the high margins which can be earned on development lending must be tempting for banks, which are under pressure to improve their own returns to shareholders.

The availability of bank finance for development will be one of the main factors determining the future course of the property cycle.

Probably the most important feature of the next 12 months will be the progress of initiatives aimed at repackaging property to make it more attractive as an investment.

A group of investors led by AMP Asset Management is planning to launch a property futures market based on indices of property market performance.

This would allow fund managers to alter their exposure to sectors of the market without having to buy or sell individual buildings.

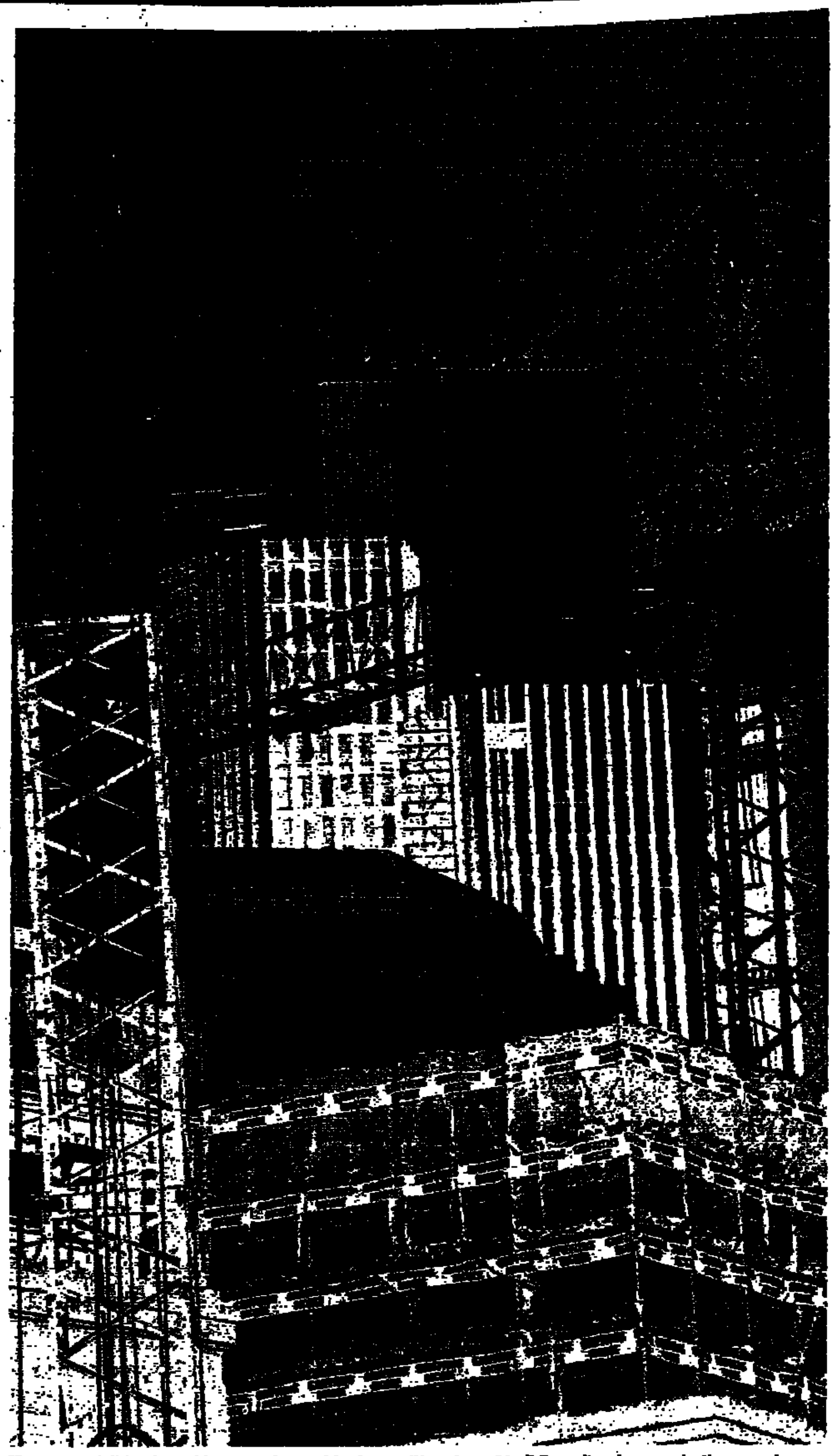
There is also a growing consensus that institutional property portfolios should be repackaged into new, tax-efficient investment vehicles.

The model is the US Real Estate Investment Trust (REIT) market, which has a value of $50bn and offers institutions a viable alternative to direct investment in property.

There is little doubt that many UK funds, especially small pension funds, would gladly exchange their buildings for shares in tax-efficient pooled investment vehicles.

The question is whether the government can be persuaded to bring forward regulations to allow such REIT-style funds to be created.

The potential boost to the industry as a whole from such an initiative should not be underestimated. It is not fanciful to suggest that the property equities market, which has dwindled to only 2 per cent of the All-Share Index, could quickly double in size if attractive new vehicles were available.



The most visible sign of improved mood is the proliferation of building sites in conurbations such as London and Birmingham. Here cranes rear up before the London Stock Exchange Picture: Tony Andrews

■ **Investment** • by David Lawson

Money heads for regions

The proportion going to the provinces has doubled in the first six months

Overseas property invaders made pre-emptive strikes deep into home territory this summer. London office blocks failing to outsiders tend to raise few eyebrows – but the latest moves involved big deals in the regions.

UK institutions have always spread money across the country, but that step across the M25 has tended to be thought of as a step down. Overseas investors are historically even more confined. However, the proportion of money settling outside London more than doubled in the first six months of this year, to almost 30 per cent, as £195m went to the regions, according to DTZ Debenham Thorpe's annual survey published earlier this month.

This includes blockbuster deals such as CGI's £35m purchase of the Arcades Centre in Ashton under Lyne, and the £42m laid out by Middle East investors for a Birmingham office block.

Private German investors have faded since long-term money rates rose, but open-ended funds, which have spent £1.5bn in the UK, show no signs of easing up, says Mark Kingston, of lawyers Nabarro Nathanson, who has acted for groups like BfG Immo Invest. This is bringing new focus to arguments that UK investors should be in the same hunting pack. Many still long for the days when one could do no wrong putting money into West End offices. In fact, property commentators have continued to sing in almost perfect harmony about prospective rent growth after years of stagnation. But dissenting voices are emerging.

"The capital will undoubtedly do well over the next couple of years, but that is not the whole story," says Nick Wilson, an analyst with Fletcher King. Weight of money is driving the London market, but investors are becoming more receptive to alternatives – after burning their fingers in the crash – and weary of hearing the same tune about rent rises.

This change of emphasis is fed by better research and more sophisticated methods of analysis. The Investment Property Databank (IPD) has been around long enough to provide a base for long-term calculations. "There is a lot more data around than 10 years ago, and this has opened the door to using other statistical techniques," says Angus McIntosh, head of research at Richard Ellis.

These include "beta coefficients", which can test the impact of buying and selling an asset on both the volatility and return of a portfolio. The technique has long been part of the equity analyst's armoury in portfolio management, but its introduction to the property sector has required a change of attitude among fund managers, and the development of comprehensive databases.

Short-term investors such as property companies are using volatility measures to decide when to get into regions which seem likely to recover faster. Funds can use the same techniques to choose a low beta coefficient, indicating the longer-term stability they seek.

Adding the new dimension of risk has thrown a new light on market sectors and the regions, according to a study by Fuller Peiser Research. An analysis of IPD data between 1980 and 1994 reveals that offices were the most risky investment, showing lowest total and risk-adjusted returns. "The further away investment is from London, the greater the investment rewards," says the report.

Diversification requires more than just an intimate knowledge of the IPD database, however. Detailed local information is vital, says Mr Wilson – and some of the regional models may not be sufficiently robust.

Not everyone is convinced by the IPD. John Heatherington, an analyst with Chesterton, says the underlying statistical assumptions are not universally accepted. Allocating between regions would also make sense only if local economies were vastly different. "There would be little point in investing in two regions like the south-west and east Anglia, in both of which defence spending formed a major part of the economy," he says.

Yields can be a problem. Central London changes automatically produce pro-rata moves in the provinces, negating diversification benefits. There is still a case for choosing between London and the provinces, but Mr Heatherington says he sees more sense in sectors such as retail diversifying across town types such as regional centres, or seaside resorts, regardless of the region.

■ **Privity of contract** • by Christine Moir

Landlords fight back

Untangling the impact of privity from that of other market forces will be difficult

"Estimate the capital values of the following two leases, one signed on December 31 1995, the other on January 2 1996. Explain any difference with special reference to the Landlord and Tenant (Covenants) Act 1995 and any other relevant factors…"

Not a few practising valuation partners are heaving sighs of relief that they are not sitting their examinations this year. The impact of last year's legislation abolishing one of the hallmarks of the British leasehold scene – privity of contract – is still far from clear. It is also difficult to untangle from other significant alterations being imposed more directly through market forces.

Time will solve the first of these uncertainties: the impact of abolishing privity will only become clearer when a substantial body exists of leases created after the January 1 cut-off date. Untangling the impact of privity from other market forces, such as shorter leases and changes in investor and tenant demand, will be rather more difficult.

In the absence of sufficient practical evidence, two schools of thought have evolved: which one prevails will itself affect how the new legislation is applied in the market.

On the one hand are the traditionalists who believe privity underpinned the British market, giving investors (landlords) certainty throughout the entire lease, no matter how many times the lease might be assigned to new tenants.

They view its abolition with trepidation. With certainty no longer available, they argue, leases will tend to shorten. Moreover, British leases will lose the premium they currently command over those prevailing in the less landlord-friendly Continental markets. Investors will want a higher return to compensate for the reduced premium value.

● Continued on next page.

The Channel Tunnel, pictured at Folkstone. The Chunnel has generated a flurry of interest in feeder sites, where road links to rail

■ **Town centre redevelopment** • by David Lawson

The sums do not work

Cars and the countryside: inconsistencies dog 'new' thinking

It is hard to argue against plans to save the world. Perhaps that is why John Gummer has had a long and trouble-free time while radically changing UK planning policies, demonising the car and associated developments like greenfield shopping centres.

New "advice" to the effect that development should be squeezed back into town centres and linked to public transport has raised little more than a groan from the property industry. "You can't make too much fuss against moves to cut global warming and protect little lambsies gambolling in green fields," says one leading developer.

But there is deep disquiet about fundamental inconsistencies. "It is pointless insisting that development should be pushed into towns which do not want it," says Tony Thompson of consultants Drivers Jonas.

Many London Underground stations, for instance, appear to fit the Gummer Guide to Friendly Development Sites. They are in town, centred on public transport, and potential keys to wider urban regeneration. But constraints can be as severe as those applied to Britain's disappearing pastures. Many are in conservation areas, for example, so planners are left balancing the loss of this environment against the national demand for protection of the countryside.

Controlling cars is also a double-edged sword. Mr Thompson points out that business tenants will not move into town centres unless there is adequate parking for staff and visitors. Local authorities are rarely so generous.

The point is not that the car should be unfettered, but that restrictions are self-defeating when the balancing factor of public transport is hamstrung by deregulation, privatisation and lack of government commitment. This can drive occupiers out of town, putting more pressure on the countryside. Sun Life recently deserted central Bristol, where commuters are said to rise before the milkman to claim parking spaces. In many towns, the environment of residential areas is being destroyed by such space hunters.

Nor is there much evidence that occupiers are adjusting their mode of transport to match government wishes. Public transport is irrelevant to most decision-makers, who still seek business parks with good road access and parking, says Mr Thompson. Tony Fisher of Chesterton can think of only a single move dependent on public transport – the move by London Electricity to Doxford Park on Tyneside, near the East coast rail line.

The idea that distributors will switch to rail is also a chimera, says his colleague Nick Redwood, as rail is uneconomic within the UK except for bulk goods.

The figures make better sense for international distribution, and the Channel Tunnel has generated a flurry of interest in potential feeder sites, where road links to rail. Abcott Estates is offering a potential 4m sq ft on the West Coast main line, while AMEC and Wakefield District Council have hopes for 3.5m sq ft at their Europort.

Kent is also revelling in a transition from economic backwater to a strategic international hub. Ian Fields, the county's inward investment manager, picks out the US company Computer Crafts which chose Ashford rather than alternatives further north for its European headquarters, while software manufacturer Syncsort moved from the Thames Valley to King's Hill in West Malling. Ironically, most of this adjustment is geared to roads: Kent's new motorways are as important an influence as the European rail link.

Developers are not blind, however, to a future which must see less private transport. Fuel tax rises will compound parking problems to discourage drivers. They are also keeping a close eye on the trickle-down effect of new rules on strategic planning. This could have a significant impact on a county like Bedfordshire, which is considering expansion corridors along rail routes, with new development focused on existing and new stations.

An underlying irony about the pressure to protect the countryside is that there is plenty of office space within towns. Unfortunately, it is the wrong sort of space. Developments put up as recently as the 1960s are in many cases deeply unattractive to occupiers who need to accommodate both new technology and the demands for better working conditions. Owners are reluctant to redevelop when rents are still low, which blocks the supply of new buildings.

These older premises have one great advantage: parking restrictions were less tight when they were built, and as the screw tightens on new space they will gain a new lustre. Developers are already working on renovations which give tenants better working spaces but retain the extra parking.

Planning restrictions were always like a balloon: you squeeze one area, and the pressure pushes up another.

Landlords fight back

• From previous page.

In today's market when yields are only just recovering, pessimists believe the abolition of privity will wipe out any gains and may even lead to higher yields again.

A sub-group of traditionalists believe that privity is too valuable just to vanish. It may have disappeared as a statutory factor but there is evidence, they claim, that it has reappeared on an informal basis as landlords write exceptionally tight assignment clauses into all new leases. These clauses typically either require the original tenant to guarantee his successor or narrowly define the type of tenant to whom he can assign his lease.

The drawback of such informal arrangements is that they will differ from landlord to landlord, creating an uneven playing field. Those who try to replicate the severity of the old system may find the policy backfires at review, if their leases are thought to restrict the potential market for their buildings.

The fear that restrictive clauses may become a rod for their own backs appears to be gaining ground over landlords' desire to lock in tenants on the best possible terms for themselves. Very tight clauses and assignment definitions are now expected to be uncommon.

There are those who regret this. Ranged against them are those who take a more relaxed attitude. Nick Shepherd, City partner of Drivers Jonas, is one of those to say: "Privity has gone. But it is not as huge an issue as it was thought to be."

Mr Shepherd's argument is that market forces, quite independently throughout the 1990s, have created a climate where privity is less relevant. Leases, for instance, have been steadily shortening until it is now rare for the once-universal 25-year period to apply.

John Rand, national director of professional services at Chesterton plc, reinforces the view that the single strongest market force in recent years has been the shortening of leases.

In the retail sector, for example, only the handful of top new shopping centres, department and variety stores can command leases of more than 10 years. Even in the choicest City districts, institutional landlords are prepared to consider periods of less than 15 years.

Shorter leases reduce the importance of privity where it has mattered most – in secondary properties. Prime properties scarcely depend on the strength of covenant, Mr Rand observes, so the passing of privity "may be a bit of a non-event. It may be more important as the market strengthens but so far there is little evidence that it is having a major impact."

Messrs Shepherd, Rand and fellow optimists note that valuers have had upwards of five years to adjust to shorter leases. They will thus be in a position to gently absorb this new factor without causing an upheaval in their bases for valuation.

The main impact this group foresees from the abolition of privity is that it will reinforce those axioms of property: location and quality. "Now that there is no advantage in letting to the government," says Mr Shepherd, "good properties in good locations will attract even more of a premium." In the past there was a temptation to carry out covenant-driven deals even if the property was poor. "Now, since your man is not on the hook, deals will revert to basics: they will be building-specific and location-specific."

■ **Changes of use** • by Christine Moir

Downsizing, outsourcing: now hotelling is the vogue

A demand deficit is expected over the next few years, say surveyors

When leading firms of surveyors suggest that outside the City of London there is no need for more office space, something strange must be happening.

Even more unusually, some professionals are prepared to go public with this depressing news and with their analysis of it.

The latest biannual Property Confidence Review – London and the South East, by Jones Lang Wootton, was published at end-August. It reported an upturn in the balance of business confidence in the south-east and a return to net demand for office space for the first time since early 1991. But the sting was in the analysis. "The market outlook over the next two years, however, remains highly uncertain ... continuing high levels of office turnover associated with corporate restructuring are anticipated, and a considerable demand deficit from existing occupants is expected to remain a feature of the market."

The signs are already there to see. Landmark buildings over which companies would once have fought as trophy corporate headquarters, are now seeking change of use or reverting to residential.

After more than a decade of grandiose proposals, County Hall, opposite the Houses of Parliament, is now largely a high grade apartment block. The same private housebuilder – Galliard Homes – has bought the 265,000 sq ft Downstream Building in the Shell Centre, next door to County Hall. That, too, it will turn into flats.

Time was when the south bank of the Thames was to have been a military parade of shoulder-to-shoulder office blocks. Now the Oxo Tower, for one, is to be restored as the centrepiece of a mixed scheme providing homes, workshops and craft spaces for local residents.

On the very edge of Parliament Square, the Treasury is preparing to move out of its grand offices, while half are redesigned as flats.

Even satellite office locations in the suburbs are experiencing the phenomenon. Fairview New Homes, one of the premier housebuilding groups, has bought the former headquarters of the Manufacturing Science and Finance Union overlooking Clapham Common and plans to create six townhouses behind its facade.

Some reversions to residential – such as the expiry of temporary wartime office permits for many of Mayfair's grand villas – have been planning-led. Most are the result of radical reappraisals by companies of their building requirements.

Property users are more sophisticated than they were. Or maybe it is something else. David Walker, managing director of Workplace Management, once part of ICL, now merged with Chesterton's Facilities and Property Management division, puts it more sceptically: "Some enlightened users are more demanding than they were. Other occupiers are going through a learning curve. The most advanced are those in the IT and financial sectors who are looking for maximum building efficiency and flexibility. Huge stocks of unused buildings are growing out there, which will never be used again."

The key to maximising the efficiency of buildings is the ability to respond to variable demand. First came "downsizing" and "outsourcing" as companies shed staff and peripheral activities in the campaign to reduce liabilities and overheads.

Next came a reappraisal of the space requirements of the core operations and personnel to be retained. Here the buzz words are "hot desking" and "hotelling". The old pattern, in which each employee had a permanent desk space, may be over. Sales staff who are usually on the road, for example, may only need to borrow a desk temporarily vacated by a colleague. Senior managers who spend much of their time visiting branches may not need permanent offices but, like hotel guests, could book a room and assistants. With a laptop and a password they can create a virtual office anywhere, with access to all company information.

The hotel principle is mostly applied internally as companies exploit their existing stock of buildings. But it has also spawned a new property sector: the business centre. These offer serviced suites of offices on flexible leases. Regus Properties, which has two such centres in London with two more poised to open (as part of an international operation spanning 65 centres, soon to reach 80) is only one of about 90 business centre operators in London, according to owner/managing director Mark Dixon.

Mr Dixon identifies at least four types of users for his business hotel facilities: newcomers to a market, testing a product, but with, as yet, no permanent base there; project teams who require a base for the duration of a project; "touch downers" who may usually work elsewhere, possibly from home, but need to touch down somewhere for occasional meetings or communications sessions; and sales teams who can be made more effective on the road if they have a base from which to make their sorties.

Among household names which have used Regus facilities are a Trafalgar House project team building a bridge in Portugal, Marks & Spencer's development team preparing its first German store opening in Cologne, and Nestlé sales forces. All can be provided with work stations, meeting rooms, basic catering and even video conferencing facilities.

Behind the shift in buildings use is the imperative to drive change. And that, says Chesterton's David Walker, probably means outsourcing buildings management. In-house managers, however feisty at the start, become encrusted with their own ways of doing things. An independent, outside manager brings a wider vision and must keep up to date or face losing the contract.

Buildings management is a huge, if anonymous activity. Some say it costs companies between £500bn and £1,000bn a year. Only about 5 per cent of that currently goes to independent managers. Procord, part of Johnson Controls, is the market leader with £400m under management; Chesterton manages about £200m.

The potential is obvious. If companies no longer need surveyors to find them more space, they will still need them to drive change through more flexible building use.

Stronger dollar lifts European high-yielders

GOVERNMENT BONDS

By Richard Lapper in London and Lisa Bransten in New York

Economic data fuelled fears of a rise in US interest rates, hitting Treasuries and depressing some other markets. However, high-yielding European countries again outperformed, helped by a stronger dollar and perceptions that they are making progress towards meeting the Maastricht criteria for European monetary union.

■ Strong figures on housing starts increased speculation that the Federal Reserve would raise interest rates next Tuesday, sending US Treasury prices lower in early trading.

Near midday, the benchmark 30-year treasury was down 3/32 at 96 1/8 to yield 7.060 per cent. At the short end of the maturity spectrum, the two-year note was 1/32 lower at 99 3/32, yielding 6.279 per cent. The December 30-year bond future was ¾ weaker at 108¼.

Prices began to tumble after the Commerce Department released data showing that housing starts advanced 4.5 per cent in August, the highest rate since March. The figures suggested that higher long-term interest rates have had little effect on the pace of housebuilding in the US. Economists had expected housing starts to have been flat.

Ms Marilyn Schaja and Mr John Bailey of Donaldson, Lufkin & Jenrette said: "These data ... are more ammunition for those policy-makers wanting to raise rates and, therefore, reinforce our view that the Fed will implement a 25 basis point hike in rates at next week's policy meeting."

Also troubling to the market was an increase in the prices paid component of the Philadelphia Fed's survey of September business activity. While the overall index of business activity fell, the prices paid component rose from to 18 from 4.6 in August.

■ The French market responded positively to the Bank of France's decision to reduce the intervention rate by 10 basis points to 3.25 per cent, a cut which takes the differential between this rate and the German repo rate to 25 basis points.

Prices rallied across the board in the wake of the cut. On Matif, both the December Pibor and notionnel contracts lost ground in the afternoon, mainly reflecting weakness in the US, before settling at 96.21 and 123.92, up 0.04 and up 0.08, respectively.

In the cash market, the market comfortably absorbed extra supply of two-year and five-year BTANS. Indeed, yields on the two-year benchmark fell by 3 basis points, while yields on the 10-year benchmark were unchanged.

■ July producer and wholesale price figures in Italy provided some support in early trading, with the strength of the lira buoying the market later.

On Liffe, the December BTP 10-year contract settled at 118.12, up 0.48. In the cash market, the 10-year yield spread over Germany declined by 9 basis points, to 295 points.

Spanish and Swedish bonds also performed strongly, with 10-year yield spreads over Germany falling from 216 to 207 basis points and from 162 to 152 points, respectively.

Ms Phyllis Reed, European strategist with BZW in London, suggested the markets' muted response to Wednesday's French budget could be encouraging hopes that the high-yielders might also be able to meet Maastricht criteria on fiscal deficits. She warned, however, that for the moment at least, Spanish spreads are unlikely to fall much further.

■ German M3 figures showed money supply accelerated by 8.7 per cent in August, up from 8.5 per cent in July. The impact was softened, however, by the IFO business confidence index for August, which showed a marginal rise from July's 94.1 to 94.4. Bunds closed only slightly lower, with the 10-year December contract on Liffe at 98.07, down 0.04.

■ Gilts were resilient, despite stronger than expected M4 figures. On Liffe, the long gilt settled at 107½, down 1/16. The 10-year yield spread over Germany was unchanged at 178 basis points.

CAPITAL MARKETS NEWS DIGEST

Ghana Cocoa gets improved terms

The Ghana Cocoa Board has been able to secure improved terms from commercial banks on its $275m trade finance facility, one of the biggest African pre-export financing deals in the syndicated loan market. Rabobank International, which arranged the facility alongside Sumitomo Bank, said the deal had been oversubscribed, with $440m raised in general syndication, and its size had been increased from an original $225m.

The Cocoa Board, which will use the money to finance purchases of cocoa beans for the 1996-97 season, borrowed the money at a rate of 50 basis points over Libor, 20 basis points less than in 1995 and 25 basis points less than in 1994.

"It definitely shows that for deals where the structure is not weakened, banks are willing to see margins continue to fall," said Mr Robert Halcrow, head of syndications at Rabobank International.

The 11-month loan is secured against assignment of contracts between the board and buyers in OECD countries. Some 43 banks have participated in the deal. Prior to general syndication, Citibank International and NatWest Markets joined as co-arrangers and underwriters.

Richard Lapper, London

JR East to raise $600m

East Japan Railway Company (JR East), the largest of the train operators to emerge from the break-up of Japan's nationalised railway network in the late 1980s, yesterday announced plans to issue at least $600m of 10-year bonds. The bonds, which are to be listed on the Luxembourg stock exchange, are intended to reduce the company's inherited burden of long-term debt standing at Y4,900bn ($46bn) in March 1996. The company has forecast that non-consolidated operating revenues and net income in the year ending March 1997 will be approximately the same as the Y1,960bn and Y57.4bn, respectively, of the year before.

Charles Batchelor, London

EOE set to drop dealing plan

The Amsterdam-based European Options Exchange is poised to abandon a protracted and costly attempt to combine open outcry and screen trading. It is the only financial futures market to have sought to set up simultaneous dealings on and off the floor, but a trial run has led EOE management to the conclusion that this is "humanly impossible".

It is to recommend to members that they choose between two alternatives – either confining the market's Fl 41m Switch electronic system to small lots, or creating an automated order book, which would require an exchange official to determine whether the best price came from the floor or the screen.

● ABN Amro, the large Dutch bank which owns Hoare Govett in the UK, has bought 74 per cent control of Dom Maklerski, a Polish stockbroker. The three year-old firm will be renamed ABN Amro Hoare Govett (Polska).

Gordon Cramb, Amsterdam

UK launches second $2bn offering in two months

INTERNATIONAL BONDS

By Samer Iskandar

The United Kingdom, rarely seen on the eurobond market, yesterday eclipsed other issues by launching a $2bn five-year floating-rate note, its second transaction in just over two months.

Although the Bank of England describes such issues as "routine debt management", every launch of a UK sovereign eurobond is considered a landmark by market participants.

Lead managers HSBC and NatWest said the placement process was given a boost from the outset, with stronger than expected demand from Asia – notably Japan – where 30 per cent of the issue landed.

"Our allotment was three-times oversubscribed," said one participating bank.

BZW, the book-runner, said it had to start refusing orders early in the process. But the "very strong demand allowed us to ensure the paper ended up with top quality investors".

Most bankers involved admitted that the issue was tightly priced, but said this did not seem to dampen demand. The quarterly coupon amounts to Libid minus ⅛, and the five-year paper is callable after the third year.

The strong credit of the UK, along with "rarity value", were cited as the main factors stimulating investor appetite. Uncertainty over US interest rates also contributed. "This is a floater-friendly environment," one banker said.

A global bond issue was considered, but the Bank felt the extra demand from the US such a structure would have generated would not be needed. Furthermore, a global bond would have generated additional costs linked to the obligation to register the issue in the US.

Traders were bidding 99.785 for the paper in late trading in London, up from the issue price of 99.745.

"We are delighted with the strong international demand," said Mr Ian Plenderleith, executive director at the Bank. "This issue successfully ends our $4bn refinancing."

An existing $4bn floating-rate note issue will be redeemed at the end of the month. The UK issued the first leg of the refinancing on July 15, $2bn of fixed-rate bonds also maturing in 2001.

The issue by Denmark of DM500m of five-year bonds would have gained more prominence had it not come on the heels of the UK issue.

The deal, motivated by a large lead order, aimed to satisfy strong demand for sovereign bonds in D-Marks, according to SBC Warburg, joint lead manager with Nomura.

A FFr1bn issue for Electrolux was partly motivated by demand for long-term bonds from French insurance companies. Lead manager BNP said although the Baa2 rating was a drawback for some, fund managers conducting their own credit assessment were tempted by the high yield, in an environment where top quality issues are offering single-digit spreads.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
United Kingdom(a)‡	2bn	(a1)	99.75R	Oct 2001	undisc		BZW(b2)
SBC Jersey Branch	250	6.75	99.76R	Oct 2002	0.28R	105(6¾%-01)	SBC Warburg
Salvia Intl. Finance Corpt	100	(b)	100.00	Sep 1999	0.50		Peregrine Fixed Income
Morocco Investments(e)‡	100	10.00	100.0R	Oct 2001	0.75R	(e1)	Paribas Capital Mkts
D-MARKS							
Kingdom of Denmark	500	5.625	99.94R	Oct 2001	0.25R	17(6¾%-01)	SBC Warburg/Nomura
CZECH KORUNA							
EBRD	1bn	11.00	101.14	Oct 1998	1.25		Wood-Commerz(f)
SWISS FRANCS							
Rabobank(g)	100	3.75	102.35	Dec 2003			Merrill Lynch
GUILDERS							
LW Rentenbank	250	5.125	99.68R	Dec 2001	0.25R	11(2001DSL)	Rabobank
FRENCH FRANCS							
Electrolux	1bn	8.50	99.94R	Oct 2004	0.49R	52(04 OAT)	BNP
LUXEMBOURG FRANCS							
Credit Local de France	2bn	5.25	102.25	Dec 2004	2.00		Banque Intl. Luxembourg
ITALIAN LIRE							
BHW(c)	250bn	8.65	101.78	Oct 2001	1.85		BNL(c1)
World Bank(d)	200bn	zero	29.27	Oct 2011	2.00		BCI/JP Morgan/BNP

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. [illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.6770	–0.130	7.96	8.06	8.09
Austria		6.250	05/06	100.0600	–0.040	6.14	6.26	6.30
Belgium		7.000	05/06	104.2700	-	6.39	6.50	6.63
Canada *		7.000	12/06	97.1300	–0.220	7.40	7.41	7.23
Denmark		8.000	03/06	105.8000	–0.040	7.13	7.26	7.24
France	BTAN	5.500	10/01	100.7430	-	5.33	5.45	5.46
	OAT	6.500	10/06	102.0400	+0.040	6.22	6.30	6.36
Germany Bund		6.250	04/06	100.4700	–0.070	6.18	6.28	6.29
Ireland		8.000	08/06	105.1000	–0.040	7.26	7.42	7.60
Italy		9.500	02/06	103.5520	+0.500	8.93†	9.10	9.33
Japan	No 140	6.600	06/01	121.1136	–0.060	1.77	1.86	2.17
	No 182	3.000	09/05	101.2176	–0.040	2.83	2.93	3.19
Netherlands		8.500	06/06	117.4300	–0.020	6.06	6.21	6.27
Portugal		9.500	02/06	108.2100	+0.160	8.20	8.43	8.69
Spain		8.800	04/06	103.4900	+0.590	8.23	8.61	8.94
Sweden		6.000	02/05	89.7369	+0.510	7.70	7.91	8.24
UK Gilts		8.000	12/00	103–14	–1/32	7.03	7.04	7.06
		7.500	12/06	97–31	+1/32	7.79	7.84	7.79
		9.000	10/08	108–06	–4/32	7.92	7.97	7.91
US Treasury *		7.000	07/06	100–30	–12/32	6.85	6.86	6.45
		6.750	08/26	96–04	–20/32	7.06	7.08	6.70
ECU (French Govt)		7.000	04/06	102.7200	+0.190	6.60	6.69	6.81

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.28
Prime rate	8¼	Two month	-	Three year	6.44
Broker loan rate	7	Three month	5.26	Five year	6.64
Fed funds	5	Six month	5.48	10-year	6.86
Fed.funds at intervention	-	One year	5.85	30-year	7.05

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	123.84	123.92	+0.08	124.02	123.74	133,018	216,088
Mar	123 76	123.80	+0.06	123.90	123.70	763	16,390
Jun	123.08	123.14	+0.08	123.08	123.00	183	88

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
120	-	-	-	-	0.04	0.12
121	-	-	-	-	0.08	0.20
122	1.90	-	2.20	0.01	0.16	0.34
123	0.94	-	1.48	0.05	0.34	0.60
124	0.23	0.61	0.88	0.33	0.71	0.98

Est. vol. total, Calls 16,981 Puts 18,640. Previous day's open int., Calls 139,619 Puts 135,745.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.13	98.07	-0.04	98.16	97.87	153700	226668
Mar	97.08	97.11	-0.04	97.08	97.08	50	1665

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9800	0.19	0.58	0.82	0.85	0.12	0.51	0.75	1.74
9850	0.03	0.35	0.57	0.66	0.46	0.78	1.00	2.05
9900	0.01	0.20	0.39	0.50	0.94	1.13	1.32	2.39

Est. vol. total, Calls 11304 Puts 15638. Previous day's open int., Calls 155796 Puts 166898

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	117.69	118.12	+0.48	118.14	117.53	44109	70496
Mar	117.20	117.42	+0.48	117.20	117.20	168	550

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11800	1.34	1.69	1.22	2.27
11850	1.08	1.46	1.46	2.54
11900	0.85	1.24	1.73	2.82

Est. vol. total, Calls 3122 Puts 1026. Previous day's open int., Calls 71375 Puts 101919

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.90	104.47	+0.59	104.47	103.69	88,658	69,845

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-02	108-06	+0-02	108-06	108-00	1029	15595
Dec	107-15	107-16	+0-02	107-19	107-06	50162	114072

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
107	0-39	1-06	1-28	1-47	0-07	0-38	0-60	1-63
108	0-06	0-37	0-58	1-18	0-38	1-05	1-26	2-34
109	0	0-17	0-34	0-59	1-32	1-49	2-02	3-11

Est. vol. total, Calls 1823 Puts 433. Previous day's open int., Calls 20421 Puts 19052

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.06	92.24	+0.18	92.36	92.04	2,283	7,316

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	108-16	108-03	-0-14	108-26	108-03	10,603	22,872
Dec	108-00	107-19	-0-15	[illegible]	107-19	341,720	367,658
Mar	107-20	107-05	-0-15	107-25	107-05	326	21,023

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.26			122.30	122.10	1453	n/a
Mar	121.19			121.19	121.19	10	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Sep 19	Day's change %	Wed Sep 18	Accrued interest	xd adj. ytd		Low coupon yield Sep 19	Sep 18	Yr. ago	Medium coupon yield Sep 19	Sep 18	Yr. ago	High coupon yield Sep 19	Sep 18	Yr. ago
1 Up to 5 years (22)	121.04	0.00	121.60	1.64	7.89	5 yrs	7.16	7.16	7.47	7.23	7.23	7.47	7.28	7.28	7.53
2 5-15 years (20)	148.47	0.04	148.41	3.01	7.51	15 yrs	8.03	8.03	7.92	8.03	8.03	7.96	8.02	8.02	8.06
3 Over 15 years (8)	161.58	0.06	161.49	2.14	9.83	20 yrs	8.14	8.13	7.95	8.12	8.12	7.99	8.12	8.13	8.06
4 Irredeemables (6)	186.96	0.00	186.96	4.46	7.36	Irred.†	8.20	8.19	8.05						
5 All stocks (56)	142.47	0.03	142.66	2.38	8.14										

Index-linked							Inflation 5% Sep 19	Sep 18	Yr. ago	Inflation 10% Sep 19	Sep 18	Yr. ago
6 Up to 5 years (1)	200.89	0.00	200.89	3.57	4.43	Up to 5 yrs	1.19	1.18	2.86	-0.60	-0.61	1.73
7 Over 5 years (11)	189.62	0.02	189.59	1.18	3.65	Over 5 yrs	3.58	3.58	3.53	3.35	3.35	3.33
8 All stocks (12)	189.75	0.02	189.71	1.22	3.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	Yr ago	High*	Low*
Govt. Secs. (UK)	93.54	93.14	93.32	93.45	93.28	94.39	96.34	91.59
Fixed Interest	113.14	113.10	113.18	113.24	113.10	113.21	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 18	Sep 17	Sep 16	Sep 13	Sep 12
Gilt Edged bargains	99.1	95.9	92.2	85.8	81.0
5-day average	90.8	87.0	85.1	81.7	79.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	97⅜	-⅛	7.05
ABN Amro Bank 7¼ 05	1000	99	99¼	-¼	7.54
African Dev Bk 7⅜ 23	500	95	95½	-½	7.82
Alberta Province 7⅝ 98	1000	102⅛	102⅜	-⅛	6.51
Asian Dev Bank 6¼ 05	750	94⅝	94¾	-⅛	7.18
Sweden 8 97	2500	104⅞	105⅛		3.50
United Kingdom 7¼ 97	5500	104	104⅛		3.38
Volkswagen Intl Fin 7 03	1000	104⅞	105⅛	-⅛	6.08
World Bank 0 15	2000	33⅛	33½	-¼	5.91
World Bank 5⅞ 03	3000	100¾	100⅞		5.74
Abbey Natl Treasury 8 03 £	1000	101⅞	101¼	-⅛	7.76
British Land 8⅞ 23 £	150	91¾	92⅛	-¼	9.98
Denmark 6¾ 98 £	800	100¼	100⅜	-⅛	6.60
Depfa Finance 7⅛ 03 £	500	96⅜	96⅝		7.80
EIB 8 03 £	1000	102⅛	102¼	-⅛	7.57
Glaxo Wellcome 8¾ 05 £	500	102⅞	103	-¼	8.30

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

Interest rate mystery keeps markets guessing

MARKETS REPORT

By Richard Adams

The US dollar advanced yesterday against the D-Mark but struggled to make any impact against the Japanese yen, amid uncertainty in currency markets over possible US interest rate moves.

US economic data, showing rising housing starts and inflationary pressures, raised expectations that the Federal Reserve would increase interest rates next week.

The news moved the dollar up half a pfennig on the day against the D-Mark. At the close of trading in London, the dollar was worth DM1.5140, compared with DM1.5084 at the previous day's close.

Against the yen, the dollar was hit by overnight selling, until it reached the key Y108.80 support level.

Rumours that the Bank of Japan was in the market supporting the dollar at Y109.0 steadied the currency in Tokyo. Dealers said further support for the dollar came from higher purchases of the currency by importers.

The dollar ended at Y109.275, from Y109.070 on Wednesday.

The D-Mark's losses were spurred by heavy selling against the yen. It finished at Y72.19, from Y72.30. Against the pound, the D-Mark hit a two-month low in intra-day trades of DM2.3615, but recovered in London to DM2.3480, up from DM2.3537.

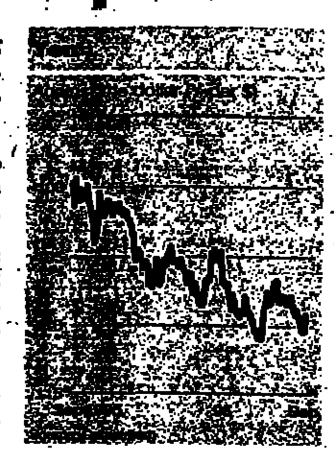
The French franc held its ground, despite the Bank of France's decision to make a 10 basis point cut in its intervention rate, to 3.25 per cent. The franc was aided by data from Germany showing increased economic activity. The franc ended at FFr3.404, from FFr3.407.

■ The dollar's inability to make a lasting impression on the yen remains a puzzle, given the US upturn.

The most disturbing news for the market was that August housing starts had risen 4.5 per cent, to 1.525m annually, the highest since March 1994.

The Philadelphia Fed's headline index fell to 13.9 in September versus 21.5 in August, but the closely-watched prices-paid index rose to 18, against 4.6.

Mr Paul Chertkow, head of global currency research at UBS, said he believed the Japanese authorities were aiming for a floor of Y110. Mr Chertkow has recently returned from Tokyo: "I came back with a strong sense that a rate of Y115-Y120 as policy remains in place."



■ The D-Mark received little momentum from yesterday's buoyant German economic figures. Annual M3 money supply growth unexpectedly rose to 8.7 per cent in August from 8.6 per cent in July, despite forecasts of a decline to 8 per cent. The monthly Ifo Institute business sentiment index showed a modest rise to 94.4 in August, slightly lower than the 94.5 expected and below market rumours earlier this week of 96.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "I thought this might have given the D-Mark a lift, but to be honest it hasn't."

The reason for that, Mr Hawkins said, was that European economic fundamentals were being "swamped" by the political moves over European monetary union (Emu). "That's one reason the D-Mark hasn't responded to the stronger numbers – France and Germany have got into bed, and it's pulling down the D-Mark," Mr Hawkins said.

Mr Chertkow said: "There are still people wondering whether the D-Mark's replacement will be as hard a currency." He said that a similar situation in mid-1993 had benefited the dollar.

Analysts in London said the M3 growth left no room for the Bundesbank to cut interest rates. Mr Robin Aspinall, an analyst at National Australia Bank in London, said: "Buba policy is on hold for months."

■ The Finnish markka will not be linked to Europe's exchange rate mechanism in September, Mr Ilkka Kanerva, chairman of the Bank of Finland's parliamentary supervisors, said.

Mr Kanerva said it would not be possible to decide to link the markka to the ERM during the September 21-22 weekend, or the weekend of September 28-29. He declined further comment.

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■ Pound in New York

Sep 19	—Latest—	—Prev. close—
£ spot	1.5505	1.5615
1 mth	1.5516	1.5619
3 mth	1.5513	1.5622
1 yr	1.5520	1.5615

■ OTHER CURRENCIES

Sep 19	£	$
Czech Rp	41.1852 - 41.2446	26.5890 - 26.5890
Hungary	238.793 - 239.678	154.010 - 154.260
Iran	4663.89 - 4681.50	3000.00 - 3000.00
Kuwait	0.4647 - 0.4650	0.2997 - 0.2998
Poland	4.2229 - 4.2264	2.7260 - 2.7270
Russia	8375.80 - 8382.86	5402.00 - 5404.00
UAE	5.6910 - 5.6976	3.6710 - 3.6730

WORLD INTEREST RATES

MONEY RATES

September 19	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3⅜	6.00	2.50	-
week ago	3¼	3¼	3¼	3¼	3⅜	6.00	2.50	-
France	3⅝	3¾	3¾	3⅞	3⅞	3.35	-	4.75
week ago	3½	3⅝	3¾	3¾	3⅞	3.35	-	4.75
Germany	3	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
week ago	3	3¼	3¼	3⅜	3⅜	4.50	2.50	3.00
Ireland	5⅝	5⅝	5¾	5⅞	6¼	-	-	6.25
week ago	5⅝	5⅝	5¾	5⅞	6¼	-	-	6.25
Italy	8⅝	8⅝	8⅝	8⅝	8⅝	-	8.25	8.50
week ago	8⅝	8⅝	8⅝	8⅝	8⅝	-	8.25	8.36
Netherlands	2⅞	2¾	2¾	2¾	3	-	3.00	3.30
week ago	2⅝	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
Switzerland	1¼	1¾	1⅞	1⅞	1⅞	-	1.50	-
week ago	1½	1½	2	2	2	-	1.50	-
US	5	5⅜	5⅜	5⅝	5⅞	-	5.00	-
week ago	5¼	5⅜	5⅜	5⅝	5⅞	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅝	5⅞	6⅛	-	-	-
week ago	-	5⅜	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.18	5.30	5.45	5.75	-	-	-
week ago	-	5.18	5.34	5.50	5.83	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4⅛	4¼	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2 31/32	3 1/16 - 2 31/32	3⅛ - 3	3 3/32 - 3 1/32	3 7/32 - 3⅛	3⅜ - 3¼
Danish Krone	3 13/32 - 3 11/32	3 11/16 - 3 19/32	3¾ - 3⅝	3⅞ - 3 25/32	3 15/16 - 3¾	4 1/32 - 3 15/16
D-Mark	3 1/16 - 2 15/16	3 1/32 - 2 29/32	3⅛ - 2⅞	3 1/32 - 2 29/32	3 1/16 - 2 31/32	3 3/16 - 3 1/16
Dutch Guilder	2 13/16 - 2 11/16	2 13/16 - 2 11/16	2 25/32 - 2 21/32	2 23/32 - 2 19/32	2 27/32 - 2¾	3 1/16 - 2 29/32
French Franc	3 9/16 - 3 7/16	3 9/16 - 3 7/16	3 19/32 - 3 15/32	3⅝ - 3 17/32	3 23/32 - 3⅝	3 27/32 - 3 23/32
Portuguese Esc.	7 5/16 - 7 3/16	7 7/32 - 7⅛	7 7/32 - 7⅛	7 3/16 - 7⅛	7 3/16 - 7 1/16	7 3/32 - 7 1/32
Spanish Peseta	7 13/16 - 7 11/16	7 13/16 - 7 5/16	7 3/16 - 7 1/16	7 1/16 - 6 15/16	7 - 6⅞	7 - 6⅞
Sterling	5½ - 5¼	5¾ - 5⅝	5 23/32 - 5 19/32	5 13/16 - 5¾	5⅞ - 5 13/16	6 3/16 - 6 1/16
Swiss Franc	1 7/16 - 1 5/16	1 9/16 - 1 7/16	1 11/16 - 1 9/16	1 13/16 - 1 11/16	1 15/16 - 1 13/16	2 1/16 - 1 15/16
Can. Dollar	4¼ - 4 1/16	4⅛ - 3 15/16	4 1/16 - 3 15/16	4 3/32 - 3 31/32	4 5/16 - 4 3/16	4 15/32 - 4 11/32
US Dollar	5⅛ - 5	5 5/16 - 5 3/16	5 7/16 - 5¼	5⅝ - 5 7/16	5 13/16 - 5⅝	6⅛ - 5 15/16
Italian Lira	8⅞ - 8	8⅜ - 8¼	8 13/32 - 8 11/32	9 - 8 13/16	8¼ - 8⅛	8 3/32 - 8
Yen	½ - ⅜	9/16 - 7/16	9/16 - 7/16	15/32 - ⅜	½ - 13/32	⅝ - 17/32
Asian $Sing	2 15/16 - 2 13/16	2⅞ - 2¾	3 - 2⅞	3 1/16 - 2 15/16	3⅛ - 3	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	96.17	96.21	+0.04	96.22	96.13	41,894	61,432
Mar	96.14	96.16	+0.02	96.18	96.10	9,767	38,226
Jun	96.01	96.02	+0.01	96.04	95.98	3,417	22,931

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.82	96.81	-0.01	96.83	96.79	31002	225511
Mar	96.71	96.70	-0.02	96.73	96.68	22041	209364
Jun	96.52	96.51	-0.01	96.54	96.48	27183	158645
Sep	96.25	96.23	-0.02	96.26	96.21	19265	123367

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.94	92.03	+0.09	92.04	91.93	23562	58724
Mar	92.30	92.37	+0.09	92.37	92.28	6887	29369
Jun	92.45	92.51	+0.08	92.52	92.43	2514	23823
Sep	92.46	92.53	+0.08	92.53	92.46	1250	11532

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.04	98.06	+0.05	98.11	98.04	12189	47003
Mar	97.95	97.94	+0.03	98.00	97.92	5946	18761
Jun	97.77	97.72	+0.01	97.80	97.72	2114	7136
Sep	97.56	97.48	+0.02	97.57	97.47	1310	2136

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec		99.34	-0.01			0	n/a
Mar	99.17	99.17	-0.01	99.17	99.16	100	n/a
Jun	98.98	98.98	-0.01	98.98	98.98	50	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	95.75	95.77	+0.02	95.78	95.74	1541	8454
Mar	95.72	95.75	+0.02	95.76	95.72	793	3529
Jun	95.61	95.61	+0.01	95.62	95.60	188	2994
Sep	95.40	95.41	+0.02	95.41	95.40	127	1662

* LIFFE futures also traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Sep 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5207	-0.0402	131 - 282	16.5919	16.5130	16.4895	2.3	16.4145	2.6	-	-	105.0
Belgium	(BFr)	48.3400	-0.1276	981 - 819	48.5390	48.2970	48.245	2.4	48.055	2.4	47.285	2.2	108.7
Denmark	(DKr)	9.0365	-0.0282	329 - 401	9.0832	9.0319	9.0228	1.8	9.0024	1.5	8.8946	1.6	107.6
Finland	(FM)	7.0245	-0.0467	190 - 299	7.0690	7.0180	7.0201	0.8	7.012	0.7	-	-	85.5
France	(FFr)	7.9919	-0.0271	895 - 952	8.0334	7.9875	7.9777	2.1	7.9537	1.9	7.8468	1.8	108.5
Germany	(DM)	2.3480	-0.0057	470 - 490	2.3615	2.3460	2.3431	2.5	2.3334	2.5	2.2912	2.4	108.5
Greece	(Dr)	373.584	-1.002	422 - 746	377.771	373.219	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9678	-0.0004	671 - 684	0.9695	0.9669	0.9673	0.6	0.9661	0.7	0.9616	0.6	99.9
Italy	(L)	2368.60	-11.45	629 - 791	2385.25	2364.86	2372.15	-2.8	2382	-2.4	2414.5	-2.0	78.9
Luxembourg	(LFr)	48.3400	-0.1276	981 - 819	48.5390	48.2970	48.245	2.4	48.055	2.4	47.285	2.2	108.7
Netherlands	(Fl)	2.6323	-0.0057	309 - 336	2.6516	2.6303	2.6262	2.8	2.6142	2.7	2.5665	2.5	108.8
Norway	(NKr)	10.0484	-0.0287	418 - 510	10.0873	10.0307	10.0370	1.0	10.0209	1.0	9.9374	1.1	96.6
Portugal	(Es)	239.374	-0.678	273 - 474	240.392	239.185	239.799	-2.1	240.704	-2.2	-	-	95.2
Spain	(Pta)	197.594	-0.513	472 - 716	198.760	197.469	197.854	-1.6	198.369	-1.6	199.769	-1.1	80.6
Sweden	(SKr)	10.2811	-0.0612	713 - 908	10.3497	10.2705	10.2614	2.3	10.2315	2.3	10.0755	2.0	88.0
Switzerland	(SFr)	1.9287	-0.0073	276 - 297	1.9382	1.9276	1.9227	3.1	1.9123	3.4	1.8647	3.3	111.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.9
Ecu	-	1.2385	-0.0036	379 - 390	1.2452	1.2376	1.2372	1.3	1.2342	1.4	1.2208	1.4	-
SDR†	-	1.079100	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5509	-0.0093	505 - 512	1.5621	1.5495	-	-	-	-	-	-	-
Brazil	(R$)	1.5806	-0.0095	801 - 814	1.5919	1.5800	-	-	-	-	-	-	-
Canada	(C$)	2.1263	-0.0143	254 - 272	2.1418	2.1250	2.1256	0.4	2.122	0.8	2.1139	0.6	84.0
Mexico	(New Peso)	11.8884	-0.0502	819 - 949	11.7001	11.8550	-	-	-	-	-	-	-
USA	($)	1.5509	-0.0096	505 - 512	1.5621	1.5495	1.5505	0.3	1.5501	0.2	1.5527	-0.1	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.9628	-0.0148	617 - 638	1.9837	1.9614	1.9654	-1.6	1.9704	-1.5	1.9957	-1.7	93.2
Hong Kong	(HK$)	11.9917	-0.0745	886 - 948	12.0782	11.9817	11.9838	0.8	11.972	0.7	11.9522	0.3	-
India	(Rs)	55.3654	-0.3428	203 - 105	55.7950	55.1100	-	-	-	-	-	-	-
Israel	(Shk)	4.9188	-0.0177	138 - 237	4.9421	4.9133	-	-	-	-	-	-	-
Japan	(Y)	169.469	-0.729	392 - 546	170.860	169.300	168.744	5.1	167.254	5.2	160.899	5.1	133.5
Malaysia	(M$)	3.8745	-0.0227	726 - 761	3.9005	3.8725	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2147	-0.009	134 - 160	2.2315	2.2130	2.2197	-2.7	2.2292	-2.6	2.263	-2.2	110.1
Philippines	(Peso)	40.6711	-0.2595	076 - 345	40.9270	40.6050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8161	-0.0364	136 - 188	5.8583	5.8122	-	-	-	-	-	-	-
Singapore	(S$)	2.1829	-0.013	816 - 841	2.1971	2.1815	-	-	-	-	-	-	-
South Africa	(R)	6.9595	-0.043	540 - 649	7.0037	6.9535	-	-	-	-	-	-	-
South Korea	(Won)	1278.13	-14.7	761 - 865	1293.29	1277.25	-	-	-	-	-	-	-
Taiwan	(T$)	42.6484	-0.2702	232 - 735	42.9515	42.6230	-	-	-	-	-	-	-
Thailand	(Bt)	39.3373	-0.2279	207 - 539	39.6220	39.3110	-	-	-	-	-	-	-

† Rates for Sep 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6527	+0.0398	502 - 551	10.6555	10.6061	10.6332	2.2	10.5912	2.3	10.4077	2.3	104.9
Belgium	(BFr)	31.1700	+0.11	500 - 900	31.1950	31.0460	31.115	2.1	31.0075	2.1	30.505	2.1	106.4
Denmark	(DKr)	5.8266	+0.0175	258 - 273	5.8280	5.8090	5.8193	1.5	5.8023	1.7	5.7333	1.6	106.9
Finland	(FM)	4.5294	+0.0021	269 - 319	4.5373	4.5120	4.5229	1.7	4.5109	1.8	4.4654	1.4	84.6
France	(FFr)	5.1532	+0.0143	522 - 542	5.1567	5.1380	5.1458	1.8	5.1317	1.7	5.0627	1.8	106.0
Germany	(DM)	1.5140	+0.0056	137 - 143	1.5145	1.5072	1.5113	2.1	1.5055	2.2	1.4783	2.4	107.9
Greece	(Dr)	240.880	+0.84	840 - 940	241.040	238.840	242.265	-6.3	245.815	-5.3	259.88	-7.9	66.7
Ireland	(I£)	1.6026	-0.0092	018 - 033	1.6124	1.6010	1.6032	-0.4	1.604	-0.4	1.5958	0.4	-
Italy	(L)	1528.00	+2.05	650 - 950	1527.00	1522.90	1530.75	-2.2	1536.5	-2.2	1561.85	-2.3	76.4
Luxembourg	(LFr)	31.1700	+0.11	500 - 900	31.1950	31.0460	31.115	2.1	31.0075	2.1	30.505	2.1	106.4
Netherlands	(Fl)	1.6973	+0.0068	968 - 978	1.6993	1.6904	1.694	2.4	1.6888	2.5	1.6551	2.5	106.4
Norway	(NKr)	6.4790	+0.0215	765 - 795	6.4798	6.4250	6.475	0.6	6.4695	0.5	6.433	0.7	97.9
Portugal	(Es)	154.350	+0.515	300 - 400	154.400	153.700	154.695	-2.4	155.255	-2.3	157.4	-2.0	95.5
Spain	(Pta)	127.410	+0.455	380 - 460	127.590	126.890	127.68	-2.4	128.09	-2.1	129.63	-1.7	80.4
Sweden	(SKr)	6.6293	+0.0079	245 - 341	6.6351	6.6065	6.6264	0.2	6.6207	0.4	6.6058	0.4	89.3
Switzerland	(SFr)	1.2436	+0.0009	431 - 440	1.2443	1.2372	1.2401	3.4	1.2326	3.5	1.1991	3.6	110.5
UK	(£)	1.5509	-0.0096	505 - 512	1.5621	1.5495	1.5505	0.3	1.5501	0.2	1.5527	-0.1	85.9
Ecu		1.2523	-0.0041	520 - 525	1.2621	1.2512	1.2515	[illegible]	1.2501	[illegible]	1.2547	[illegible]	-
SDR†	-	0.69200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0001	000 - 000	1.0000	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	1.0193	+0.0001	191 - 195	1.0245	1.0190	-	-	-	-	-	-	-
Canada	(C$)	1.3711	-0.0007	706 - 715	1.3717	1.3701	1.3709	0.1	1.3712	0.0	1.374	-0.2	83.2
Mexico	(New Peso)	7.5045	+0.014	020 - 070	7.5070	7.5020	7.686	-25.8	7.851	-19.5	8.6145	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2656	-0.0018	652 - 660	1.2699	1.2650	1.2675	-1.9	1.271	-1.7	1.2897	-1.9	94.5
Hong Kong	(HK$)	7.7324	-0.0001	321 - 326	7.7326	7.7320	7.7331	-0.1	7.7349	-0.1	7.7619	-0.4	-
India	(Rs)	35.7000	-	500 - 500	35.8600	35.5470	35.85	-5.0	36.155	-5.1	37.625	-5.4	-
Israel	(Shk)	3.1717	+0.0092	682 - 741	3.1745	3.1645	-	-	-	-	-	-	-
Japan	(Y)	109.275	+0.205	200 - 300	109.470	109.050	108.83	4.9	107.93	4.9	104.19	4.7	134.1
Malaysia	(M$)	2.4983	+0.0008	978 - 988	2.5000	2.4965	2.4992	-0.4	2.5053	-1.1	2.5286	-1.2	-
New Zealand	(NZ$)	1.4280	+0.0071	276 - 286	1.4286	1.4275	1.4311	-2.6	1.4369	-2.5	1.4615	-2.3	-
Philippines	(Peso)	26.2250	-0.005	900 - 600	26.2700	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	495 - 510	3.7510	3.7490	3.7506	-0.1	3.7515	-0.1	3.7548	-0.1	-
Singapore	(S$)	1.4075	+0.0003	070 - 080	1.4085	1.4065	1.404	3.0	1.398	2.7	1.3725	2.5	-
South Africa	(R)	4.4875	-	850 - 900	4.4910	4.4845	4.535	-12.7	4.625	-12.3	4.9825	-10.8	-
South Korea	(Won)	824.150	-4.35	000 - 300	827.400	823.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-0.004	900 - 100	27.5200	27.4990	27.505	-0.2	27.51	-0.1	-	-	-
Thailand	(Bt)	25.3650	+0.01	600 - 700	25.3830	25.3570	25.4725	-5.1	25.6425	-4.4	26.26	-3.6	-

† SDR rate per $ for Sep 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 18: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.69	16.53	4.857	2.002	4897	5.445	20.79	495.2	408.8	21.27	3.990	2.069	4.398	3.209	350.6	2.563
Denmark	(DKr)	53.49	10	8.844	2.598	1.071	2619	2.912	11.12	264.9	218.7	11.38	2.135	1.107	2.353	1.716	187.6	1.371
France	(FFr)	60.49	11.31	10	2.938	1.211	2962	3.293	12.58	299.5	247.2	12.86	2.414	1.251	2.660	1.941	212.1	1.550
Germany	(DM)	20.59	3.849	3.404	1	0.412	1008	1.121	4.280	102.0	84.16	4.378	0.822	0.426	0.905	0.661	72.19	0.528
Ireland	(I£)	49.94	9.336	8.256	2.426	1	2445	2.719	10.38	247.3	204.1	10.62	1.993	1.033	2.196	1.602	175.1	1.280
Italy	(L)	2.042	0.382	0.338	0.099	0.041	100.	0.111	0.425	10.11	8.348	0.434	0.081	0.042	0.090	0.066	7.161	0.052
Netherlands	(Fl)	18.37	3.434	3.036	0.892	0.368	899.3	1	3.818	90.96	75.08	3.906	0.733	0.380	0.808	0.589	64.40	0.471
Norway	(NKr)	48.10	8.992	7.952	2.336	0.963	2355	2.619	10	238.2	196.6	10.23	1.919	0.995	2.115	1.543	168.7	1.233
Portugal	(Es)	20.19	3.775	3.338	0.981	0.404	988.7	1.099	4.198	100.	82.54	4.294	0.806	0.418	0.888	0.648	70.80	0.518
Spain	(Pta)	24.46	4.573	4.045	1.188	0.490	1198	1.332	5.086	121.2	100.	5.202	0.976	0.506	1.076	0.785	85.78	0.627
Sweden	(SKr)	47.02	8.791	7.774	2.284	0.942	2303	2.560	9.776	232.9	192.2	10	1.876	0.973	2.068	1.509	164.9	1.205
Switzerland	(SFr)	25.06	4.685	4.143	1.217	0.502	1227	1.364	5.210	124.1	102.4	5.329	1	0.518	1.102	0.804	87.87	0.642
UK	(£)	48.34	9.037	7.992	2.348	0.968	2367	2.632	10.05	239.4	197.6	10.28	1.929	1	2.126	1.551	169.5	1.239
Canada	(C$)	22.74	4.251	3.759	1.104	0.455	1113	1.238	4.727	112.6	92.94	4.835	0.907	0.470	1	0.730	79.73	0.583
US	($)	31.17	5.827	5.153	1.514	0.624	1526	1.697	6.480	154.4	127.4	6.628	1.244	0.645	1.371	1	109.3	0.799
Japan	(Y)	28.52	5.332	4.715	1.385	0.571	1396	1.553	5.929	141.2	116.6	6.065	1.138	0.590	1.254	0.915	100.	0.731
Ecu		39.02	7.294	6.450	1.895	0.781	1910	2.124	8.111	193.2	159.5	8.297	1.557	0.807	1.716	1.252	136.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lire and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.6667	0.6652	-0.0014	0.6669	0.6652	29,907	59,654
Mar	0.6704	0.6708	-0.0003	0.6708	0.6698	68	1,172
Jun	-	0.6755	-	-	-	1	112

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.8125	0.8128	+0.0003	0.8153	0.8120	16,245	36,091
Mar	-	0.8210	+0.0007	0.8220	-	124	1,120
Jun	-	0.8290	+0.0006	0.8295	-	1	25

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.9277	0.9265	-0.0013	0.9279	0.9247	42,848	67,588
Mar	-	0.9390	-0.0015	-	0.9385	1,457	1,898
Jun	-	0.9532	-	-	-	8	197

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	1.5610	1.5554	-0.0048	1.5614	1.5560	11,912	40,946
Mar	-	1.5590	-0.0018	-	1.5590	9	73
Jun	-	1.5600	-0.0012	-	1.5600	4	2

UK INTEREST RATES

LONDON MONEY RATES

Sep 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5	5 13/16 - 5 11/16	5 13/16 - 5 23/32	5⅞ - 5¾	5 15/16 - 5 13/16	6 3/16 - 6 1/16
Sterling CDs	-	-	5¾ - 5 11/16	5 25/32 - 5 23/32	5 29/32 - 5 27/32	6 1/32 - 5 31/32
Treasury Bills	-	-	5 23/32 - 5 19/32	5⅝ - 5 9/16	-	-
Bank Bills	-	-	5 11/16 - 5⅝	5 21/32 - 5⅝	5 11/16 - 5⅝	-
Local authority deps.	5⅝ - 5½	5 13/16 - 5 9/16	5 13/16 - 5 9/16	5¾ - 5⅝	5¾ - 5⅝	5 29/32 - 5 27/32
Discount Market deps	5.5 - 5¾	5¼ - 5 11/16	5⅝ -	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.

Ave. tender rate of discount on Sep 13, 5.5142pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.826pc. Finance House Base Rate 6pc from Sep 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.07	94.07	-0.01	94.09	94.05	25097	117585
Mar	93.89	93.89	-0.01	93.92	93.86	19795	77858
Jun	93.59	93.58	-0.03	93.63	93.56	16991	76320
Sep	93.23	93.24	-0.04	93.29	93.22	6983	40445
Dec	92.95	92.95	-0.04	93.00	92.93	5509	30105

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9400	0.16	0.17	0.17	0.09	0.28	0.59
9425	0.05	0.07	0.10	0.23	0.43	0.77
9450	0.01	0.03	0.06	0.44	0.64	0.98

Est. vol. total, Calls 4892 Puts 2220. Previous day's open int., Calls 106288 Puts 117301

EMS EUROPEAN CURRENCY UNIT RATES

Sep 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.886	-0.102	-0.99	2.69	7
Ireland	0.792214	0.786256	+0.000829	-0.75	2.44	5
Netherlands	2.15214	2.14253	-0.0001	-0.45	2.13	3
Portugal	195.792	194.940	-0.166	-0.44	2.12	3
Belgium	39.3960	39.3541	-0.0046	-0.11	1.78	1
Germany	1.91007	1.91166	-0.00032	0.08	1.59	-1
Austria	13.4383	13.4507	-0.0015	0.09	1.58	-1
Denmark	7.28580	7.35855	-0.00485	1.00	0.67	-7
France	6.40608	6.51321	-0.00232	1.67	0.00	-14
NON ERM MEMBERS						
Greece	292.867	304.258	+0.137	3.89	-2.13	-
Italy	2106.15	1930.43	-0.24	-8.34	10.98	-
UK	0.786652	0.812122	+0.001417	3.24	-1.52	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	2.06	2.42	2.67	0.07	0.47	0.76
1.550	1.27	1.75	-	0.28	0.79	-
1.560	0.65	1.19	1.55	0.66	1.22	1.53
1.570	0.27	0.77	1.11	1.28	1.80	2.14
1.580	0.08	0.48	0.77	2.07	-	2.73

Previous day's vol., Calls 5,874 Puts 4,836 . Prev. day's open int., Calls 130,100 Puts 100,005

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	94.07	94.04	-0.03	94.09	94.04	94,031	483,155
Mar	93.90	93.88	-	93.94	93.87	106,295	344,273
Jun	-	93.69	-	93.75	93.68	50,001	257,885

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	94.63	94.64	-0.01	94.66	94.63	618	4,054
Mar	94.50	94.45	-0.02	94.50	94.45	371	1,497
Jun	-	-	-	-	-	10	15

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9675	0.08	0.10	0.12	0.15	0.02	0.04	0.06	0.20
9700	0.01	0.02	0.03	0.06	0.20	0.21	0.22	0.36
9725	0	0	0	0.02	0.44	0.44	0.44	0.57

Est. vol. total, Calls 20367 Puts 8147. Previous day's open int., Calls 317095 Puts 241090

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9825	0.07	0.10	0.11	0.26	0.41	0.64
9850	0.03	0.05	0.05	0.47	0.61	0.83

Est. vol. total, Calls 30 Puts 0. Previous day's open int., Calls 3566 Puts 1041

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9200	0.24	0.55	0.73	0.21	0.18	0.22
9225	0.12	0.39	0.56	0.35	0.27	0.30
9250	0.06	0.25	0.42	0.53	0.39	0.41

Est. vol. total, Calls 15185 Puts 6450. Previous day's open int., Calls 56116 Puts 27143

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association

* In administration

0030	[illegible]	[illegible]
0100	[illegible]	[illegible]
0130	[illegible]	[illegible]
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2130	[illegible]	[illegible]
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2230	[illegible]	[illegible]
2300	[illegible]	[illegible]
2330	[illegible]	[illegible]
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COMMODITIES AND AGRICULTURE

Report assesses US gains from from third world farm research aid

By Geoff Tansey

Agricultural research designed to help developing countries has brought billions of dollars worth of benefits to US farmers and consumers, according to a report from the Washington-based International Food Policy Research Institute released yesterday.

The benefits from international research on wheat alone range from a conservative $3.4bn to a maximum of $13.4bn between 1970 and 1993, say the researchers. But they fear future benefits are in jeopardy as US funding for such research has fallen by 40 per cent since 1990 – to $37.2m from $60.1m a year.

The two-year study by economists at the institute and the University of California at Davis took wheat and rice as examples of crops that have benefited from research done in two of the network of 16 International Agricultural Research Centres funded by the Consultative Group on International Agricultural Research.

US contributions to the International Maize and Wheat Improvement Centre (CYMMT) in Mexico for wheat improvement since 1960 amount to $71m, which makes the pay-back up to 190 times the investment.

"This is the first report done trying to quantify benefits from a US perspective," says Dr Phil Pardy, lead author and research fellow at the IFPRI, which is one of the 16 CGIAR Centres. "We identified all the variety releases [in the US] since 1970 then tracked their genetics," he says.

"We identified the gains to yield solely due to varietal improvement and partitioned it into that arising from traits obtained from CIMMYT developed varieties and the rest."

The lowest values for benefits are based on the most conservative assumptions while the upper levels credit any gains to CIMMYT if there is any CIMMYT ancestry in the pedigree.

Two characteristics in particular have benefitted US farmers – semidwarfness and rust resistance. "Semi-dwarfing makes plants shorter and stronger, allowing more of the plants' energy to be directed to grain production," says Dr Pardy. "This means more grain per acre of farmland and, therefore, cheaper food. Over 75 per cent of the US rice acreage and 58 per cent of the US wheat acreage consist of semi-dwarf varieties."

The US produced $7.7bn worth of wheat in 1993 or about 12 per cent of the world total. In rice, US production was worth $1.3bn in 1993 and it accounted for about 18 per cent of internationally traded rice. Almost three-quarters of the US rice acreage that year was sown to varieties with International Rice Research Institute ancestry.

The study estimates that a US investment of $63m since 1960 in rice research at the IRRI has generated between $37m and $1bn in economic benefits in the US. "Further cutbacks in US contributions to international agricultural research threaten the investments already made – and the many gains yet to be realised," says Dr Pardy.

The US accounted for just over 12 per cent of the CGIAR budget in 1995, the EU almost 35 per cent and Japan over 11 per cent. He fears further US cuts could lead to other donors following suit and points out that the IRRI has already had to lay off large numbers of staff this year.

Hidden Harvest: US Benefits from International Research Aid. Available free from IFPRI, 1200 17th St, NW, Washington DC 20036-3006. Fax 202 467 4439. The report summarises the full study – A Productive Partnership: The Benefits from US Participation in the CGIAR, to be published later by IFPRI.

South Indian tea gardens face fresh crisis

Production is down again while prices remain low, writes Kunal Bose

South India's tea gardens, which account for nearly 25 per cent of Indian tea production, are once again facing a crisis. While the production of tea in Tamil Nadu and Kerala was down nearly 5m kg to 98m kg up to July 1997 prices at the three south Indian auction centres remained unremunerative, mainly because of insufficient export demand.

The south Indian estates, which even in a good year do not make as much profit as the gardens in Assam and West Bengal, have been hit before they could recover from the impact of very low tea prices in 1994. "The cost of production of tea in south India is Rs48 a kilogram, whereas the average realisation is Rs43 a kg," says Mr MH Ashraff, executive director of Tata Tea, India's largest plantation company. "A shake-out in the industry in Kerala is very much on the cards unless strong export enquiries in the coming months lift the prices of tea. Many garden owners in Kerala are at the end of their tether."

Unlike in Assam, tea is not an indigenous crop for South India. The British planters started growing tea in the region nearly a century ago. "We have certain location-specific problems which raise our production cost and also tell on the quality of tea grown," says Mr K Ahmedullah, president of Harrisons Malayalam, one of the largest producers of tea in the south. "As tea is mostly grown over undulating and steep land in the south, the estates have to cope with the problem of soil erosion."

'The cost of production. . . is Rs48 a kilogram, whereas the average return is Rs43'

Low labour productivity in the south also has much to do with the topography. "The gardens in this region are caught between two stools. The tea produced in Assam gives a thick and bright liquor because of the low elevation of the area. The high elevation of the gardens in Darjeeling allows the growing of tea which is light and thin with a distinctive flavour. Being in the mid-elevation, the south Indian gardens produce tea which neither has the strength of Assam tea nor the flavour of Darjeeling tea," says Mr Ahmedullah. "Our crop falls somewhere in between Assam and Darjeeling tea."

However, the gardens found at an altitude of 4,000 feet to 7,000 feet in the hills of Nilgiris in Tamil Nadu produce "flavoury high grown tea", which is connoisseurs' delight. The allocation of a logo for the Nilgiris tea by the Indian Tea Board has given it an edge in the export market. Out of south India's average annual production of 185m kg, the share of Nilgiris is about 30m kg. The structural weakness of the industry in Nilgiris is that many gardens are small and the capacity of small growers to plough back funds for estate development is limited.

Mr Ashraff will not accept that it is not possible to produce good tea outside Nilgiris in the rest of the south. Good agricultural practice and modern tea processing machinery should allow the gardens to produce "bright liquoring tea with flavour and aroma", he insists. Unfortunately, what has happened is that the quality improvement campaign that has caught on so very well with the industry in Assam and West Bengal has not as yet made any significant impact in the south.

According to Mr Ashraff, the producers in the south came to depend "so very much on the former Soviet Union, which wanted a well made black, curly and clean orthodox tea, that they forgot all about liquoring characteristics". But the gardens remain indifferent to the characteristics of the tea they are producing at their own peril, he warns. "The producers must know what the consumers within and outside the country want and change their plucking and manufacturing practices accordingly."

In spite of a difficult market, companies like Tata Tea, Harrisons Malayalam, Tea Estates India, Parry Agro and AV Thomas have been able to keep their head above water because they have been able to anticipate what kinds of tea consumers want. For example, Tata Tea is producing the Assam kind of CTC (cut, tear and curl) from tea grown in its south India gardens and it is sold throughout the country. Some of the bigger southern-based producers have been able to improve their profitability by selling tea in value-added form.

Among the southern-based gardens the ones in Kerala have fared worst. Even though tea is produced year round in Kerala, unlike in Assam and West Bengal, productivity there is only 1,874 kg a hectare, compared with 3,000 kg in the neighbouring state of Tamil Nadu. "The labour productivity in Kerala is disappointingly low while the wages there are the highest among all tea producing states," says Mr Ahmedullah. "The daily wage of a tea garden worker in Kerala is Rs71.47 ($2.02) compared with Rs47.50 in Assam. As for Kerala, wages constitute over 60 per cent of the cost of production of tea. We have told the state government that wages should be linked to productivity. But the response has been negative."

In a normal year, the South Indian gardens in general will be working on thin margins. But the agricultural income tax is so high that the retained profits are very low. As a result, most gardens have not been able to undertake replantation work to any significant extent. Industry officials say that only those gardens in Kerala with a productivity of 2,500 kg a hectare will remain viable. Achieving a productivity rate of this order, however, calls for extensive clonal replantation, which is an expensive proposition.

Copper prices fluctuate widely on the LME

MARKETS REPORT

COPPER prices moved sharply either side of overnight levels on the London Metal exchange yesterday before ending session steadier but below from highs, with the three months position at $1,936 a tonne, up $11.

Traders said movements were such as were to be expected in a market that had moved up by some $100 in two days but in which sentiment remained largely uncertain. Key upside levels were defended, with some bank sales preventing the market running higher on option covering, they said.

"At the moment it could go either way," said one, "up to $1,970 or back down to $1,900."

The latest developments in the Sumitomo affair – with most open positions now liquidated, the company raised its estimate of losses from $1.8bn to $2.6bn – were not thought to have influenced the market to any great extent.

"You would hardly expect them to say they had positions left just after they upped the losses," one trader commented.

ALUMINIUM prices largely fluctuated in line with copper, but movements were kept to a minimum as the market looked to consolidate after hitting 2¼-year lows at the beginning of the week, traders said.

At the London International Financial Futures Exchange white SUGAR futures continued their bounce higher after the recent sharp declines as trade players covered short positions.

"At the moment we're seeing some short covering and a bit of producer and trade buying," said one trader, adding that the strength had been balanced by limited speculator selling.

The November COFFEE contract closed below support at $1,500 a tonne after producer and speculator selling finally managed to outstrip industry purchases.

Traders noted Far Eastern selling, including some from Indonesia, although there was industry buying at around $1,500.

Compiled from Reuters

Tin group 'would welcome new members'

The Association of Tin Producing Countries would welcome observers Vietnam and Peru joining the organisation following the withdrawal of Thailand and Australia, reports Reuters from Singapore.

Thailand, which will leave from October 1, and Australia quit the ATPC because both are becoming net importers of tin, delegates attending the executive council meeting of the group said.

Indonesia, Malaysia, Bolivia, China and Nigeria remain members. Zaire also belongs, but is plagued by political problems, produces almost no tin and has stopped attending meetings. Brazil has observer status.

ATPC ministers are to meet next week to discuss the state of the tin market and its export quota system, which has been largely ignored by members. There is a proposal that the suspension of the quotas be extended for another year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1397.5-8.5	1432-3
Previous	1392.5-93.5	1429-29
High/low	1391/1389.5	1439/1422
AM Official	1389-9.5	1424-4.5
Kerb close		1428-8.5
Open int.	209,504	
Total daily turnover	52,180	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1209-14	1242-8
Previous	1210-15	1240-43
High/low	1205	1250/1237
AM Official	1204-5	1237-8
Kerb close		1240-45
Open int.	4,962	
Total daily turnover	2,166	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	782.5-3.5	782.5-3.5
Previous	785-86	785-86
High/low	787/786	794/784
AM Official	786-6	786-7
Kerb close		787-8
Open int.	36,758	
Total daily turnover	8,111	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7350-60	7460-65
Previous	7320-30	7435-40
High/low		7500/7350
AM Official	7270-75	7380-85
Kerb close		7390-400
Open int.	40,595	
Total daily turnover	11,888	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6075-85	6135-45
Previous	6065-75	6130-40
High/low	6075	6150/6110
AM Official	6070-80	6135-40
Kerb close		6119-20
Open int.	15,638	
Total daily turnover	5,000	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1012.5-3.5	1039-9.5
Previous	1009.5-10.5	1036.5-37.0
High/low	1006	1042/1032
AM Official	1005.5-6.0	1032.0-2.5
Kerb close		1035.5-6.0
Open int.	72,937	
Total daily turnover	14,362	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1943-5	1945-6
Previous	1909.5-11.5	1909.5-10.5
High/low	1916	1956/1915
AM Official	1916-7	1920-1
Kerb close		1936-7
Open int.	188,541	
Total daily turnover	80,765	

■ LME AM Official £/$ rate: 1.5589
LME Closing £/$ rate: 1.5612
Spot: 1.5617 3 mths: 1.5609 6 mths: 1.5612 9 mths: 1.5615

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	91.55	+0.75	92.00	90.10	771	3,814
Oct	90.80	+0.55	91.30	89.60	326	2,207
Nov	90.55	+0.60	90.80	89.70	33	1,483
Dec	90.30	+0.55	90.85	88.65	7,068	24,817
Jan	89.80	+0.55	89.90	89.80	8	1,128
Feb	89.55	+0.50	-	-	8	332
Total					11,044	86,070

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.10-383.50		
Opening	382.90-383.30		
Morning fix	383.10	245.656	475.542
Afternoon fix	382.75	245.110	474.993
Day's High	383.30-383.70		
Day's Low	382.50-382.90		
Previous close	383.10-383.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.12	6 months	3.91
2 months	4.10	12 months	3.95
3 months	4.08		

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.25	506.60
3 months	328.00	512.20
6 months	332.70	518.85
1 year	341.25	532.20

Gold Coins	$ price	£ equiv.
Krugerrand	385-389	249-251
Maple Leaf	389.40-391.90	-
New Sovereign	88-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	383.3	-0.7	383.1	383.1	1	1
Oct	382.7	-0.7	383.7	382.3	1,170	7,878
Dec	385.6	-0.7	386.6	385.4	19,772	1,025k
Feb	388.1	-0.7	388.4	387.5	1,186	13,305
Apr	390.6	-0.7	391.2	390.3	492	8,425
Jun	393.2	-0.7	393.2	393.2	502	11,451
Total					24,154	182,285

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	390.5	-2.0	393.0	390.0	1,637	13,527
Jan	392.4	-2.0	395.0	392.0	655	10,062
Apr	394.8	-2.0	395.0	395.0	60	5,710
Jul	397.9	-2.0	398.5	398.0	81	604
Oct	401.4	-2.0	403.0	403.0	2	23
Total					2,652	29,925

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	120.50	-0.75	-	-	-	34
Dec	121.75	-0.75	122.75	120.75	245	7,753
Mar	122.75	-0.75	123.10	122.50	3	160
Jun	123.80	-0.75	-	-	1	111
Total					248	8,058

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	488.4	-15.6	510.0	488.5	37	152
Oct	488.8	-15.8	-	-	19	10
Dec	494.0	-15.8	512.0	492.5	6,378	64,225
Jan	498.8	-15.8	-	-	-	24
Mar	501.8	-15.8	518.0	500.0	47	11,127
May	506.9	-15.8	516.0	508.0	31	5,367
Total					8,441	91,805

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	23.52	-0.37	23.88	23.34	27,236	37,552
Nov	23.15	-0.33	23.47	22.97	35,626	73,537
Dec	22.65	-0.29	22.94	22.55	15,959	60,113
Jan	22.05	-0.29	22.30	21.93	12,888	39,095
Feb	21.56	-0.22	21.75	21.45	2,441	24,909
Mar	21.10	-0.18	21.18	20.98	2,600	17,994
Total					197,684	405,674

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	21.98	-0.33	22.26	21.90	8,937	64,235
Dec	21.47	-0.26	21.72	21.40	4,001	36,844
Jan	20.90	-0.25	21.12	20.85	1,478	22,037
Feb	20.37	-0.30	20.55	20.22	1,021	10,855
Mar	19.89	-0.22	19.97	19.76	675	9,716
Apr	19.40	-0.15	19.40	19.40	229	5,033
Total					[illegible]	na

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	67.10	-0.77	68.15	66.80	14,006	34,980
Nov	66.85	-0.68	67.80	66.60	8,147	26,053
Dec	66.30	-0.72	67.30	66.00	8,011	30,839
Jan	65.30	-0.50	65.60	65.15	6,912	21,551
Feb	63.30	-0.50	63.60	63.20	2,316	9,572
Mar	60.40	-0.35	60.50	60.40	[illegible]	4,739
Total					42,349	143,923

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	215.50	-3.00	218.00	214.75	6,115	25,574
Nov	208.25	-2.75	211.75	207.75	3,429	15,582
Dec	202.75	-2.00	205.75	202.00	2,176	15,879
Jan	197.50	-1.25	198.75	196.50	684	11,798
Feb	190.25	-1.00	192.00	188.75	217	1,975
Mar	182.75	-1.00	184.50	182.75	151	3,538
Total					21,997	84,652

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.065	+0.097	2.070	1.950	15,047	25,364
Nov	2.330	+0.085	2.250	2.180	5,822	25,107
Dec	2.445	+0.058	2.455	2.375	3,027	18,559
Jan	2.470	+0.055	2.475	2.400	1,534	14,393
Feb	2.385	+0.045	2.400	2.335	805	9,021
Mar	2.265	+0.055	2.265	2.205	478	6,922
Total					28,576	42,762

■ UNLEADED GASOLINE NYMEX (42,000 US gals; c/US gals)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	61.45	-1.81	63.05	61.20	11,793	23,231
Nov	61.05	-1.57	61.85	60.85	8,542	15,923
Dec	60.50	-1.15	61.20	60.35	4,175	7,980
Jan	60.50	-0.80	60.70	60.00	3,171	6,718
Feb	60.50	-	60.50	60.25	407	1,858
Mar	60.35	-	60.35	60.35	42	1,281
Total					28,370	59,648

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	105.50	-1.00	105.50	105.30	11	81
Nov	108.20	-0.10	107.00	106.00	172	1,977
Jan	107.80	-0.20	109.00	107.85	205	1,993
Mar	109.80	-0.10	110.75	109.75	116	1,256
May	111.90	-0.10	112.75	112.00	77	863
Jul	113.90	-0.10	114.00	114.00	10	135
Total					592	6,305

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	416.75	-7.5	426.50	415.50	14,025	45,968
Mar	411.25	-8	421.00	410.25	2,180	12,346
May	387.50	-8	407.00	388.00	205	1,005
Jul	379.00	-6.75	386.00	379.00	603	4,977
Sep	382.00	-5	389.00	387.00	20	92
Dec	388.00	-4	387.00	385.00	18	86
Total					17,467	65,733

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	313.50	-2	319.00	312.50	49,864	189,816
Mar	320.75	-3	327.00	320.25	9,332	57,532
May	327.25	-3	333.50	327.00	2,348	24,444
Jul	329.00	-3.25	334.50	328.75	1,823	16,716
Sep	310.75	-1.25	314.50	310.50	311	2,381
Dec	298.75	-2.25	303.50	298.75	2,365	12,349
Total					65,864	304,480

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	100.50	-	100.50	100.50	10	10
Nov	102.25	-	102.50	102.25	73	895
Jan	103.75	-	-	-	-	671
Mar	105.25	-	105.75	105.25	61	160
May	107.25	-	-	-	-	80
Total					138	1,816

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	789.25	-4.75	804.00	787.00	47,186	122,955
Jan	797.25	-4.5	811.50	795.00	3,736	27,120
Mar	802.25	-5.75	817.00	801.00	2,087	14,977
May	801.25	-5.25	814.00	800.00	1,086	14,013
Jul	802.00	-6.5	815.00	800.50	657	11,511
Aug	792.00	-4	804.00	792.00	35	205
Total					58,197	198,393

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	25.06	-0.14	25.50	24.96	5,034	13,960
Dec	25.49	-0.14	25.95	25.38	10,426	46,303
Jan	25.73	-0.14	26.20	25.62	478	7,730
Mar	26.02	-0.15	26.48	25.95	1,232	8,669
May	26.24	-0.15	26.65	26.12	428	5,767
Jul	26.46	-0.2	26.70	26.30	183	1,463
Total					18,491	85,307

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	258.7	-2.8	264.4	257.8	10,295	19,790
Dec	254.9	-2	259.9	253.5	13,452	45,047
Jan	254.1	-0.9	258.0	252.5	1,152	7,824
Mar	252.0	-1.2	256.5	251.0	935	9,758
May	248.0	-1.5	252.8	248.0	637	6,276
Jul	249.3	-0.2	253.0	247.5	104	2,583
Total					30,322	98,882

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	35.0	+0.5	-	-	-	-
Mar	74.5	-	-	-	-	-
Apr	69.0	+1.5	69.5	67.0	51	1,290
May	77.5	+1.5	-	-	-	17
Jun	86.0	+1.5	-	-	-	-
Total					51	1,307

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1003	-3	1005	1000	23	818
Oct	1125	-20	1141	1120	137	1,410
Nov	1206	-14	1220	1205	16	334
Jan	1240	-5	1245	1225	70	1,013
Apr	1250	-5	1260	1255	10	286
Jul	1110	-5	1120	1115	10	27
Total					266	3,959

	Close	Prev
BFI	1003	1015

FUTURES DATA
All futures data supplied by CMS.

Wool
Despite a substantial offering of greasy wool at Australian auctions this week, the market held up better than expected following last week's slide in prices. The Eastern market indicator finished the week unchanged on last week's close of 589 cents per kg. At the two Fremantle sales, where a high pass in rate was again a feature, the western market indicator moved 6 cents lower to 525 cents per kg. Prices eased slightly in South Africa, with the Merino market indicator down 0.4 per cent to 1976. In Australia the renewed buying presence of China was cited as a factor prompting stronger buying competition, adding credence to the view that Chinese buying activity is currently triggered when the indicator falls below 600 Australian cents per kg.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	955	+10	958	954	80	693
Dec	983	+4	984	975	1,728	36,082
Mar	1004	+6	1005	997	829	40,830
May	1019	+6	1017	1014	66	21,305
Jul	1033	+5	1034	1029	88	11,280
Sep	1048	+5	1049	1049	27	3,768
Total					2,319	136,454

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1354	-5	1386	1351	1,491	31,536
Mar	1389	-6	1400	1385	310	17,072
May	1409	-1	1412	1408	33	8,216
Jul	1420	-6	1433	1420	11	6,011
Sep	1437	-3	1440	1437	80	5,500
Dec	1464	-3	-	-	-	676
Total					1,846	77,296

■ COCOA (ICCO) (SDR's/tonne)

Sep 18	Price	Prev. day
Daily	1016.65	1017.46

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1577	-18	1589	1570	177	1,394
Nov	1495	-23	1516	1493	3,074	12,425
Jan	1450	-17	1466	1450	841	5,862
Mar	1415	-16	1432	1415	300	3,352
May	1400	-14	1416	1400	194	929
Jul	1392	-14	1400	1400	7	197
Total					4,593	24,173

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	103.60	-0.80	105.30	103.50	5,812	14,117
Mar	100.60	-0.35	101.70	100.50	986	5,370
May	101.25	+0.05	101.70	100.90	199	1,965
Jul	101.00	+0.10	101.10	100.90	98	684
Sep	101.00	+0.10	102.00	101.00	59	203
Dec	101.75	+0.35	102.00	101.50	22	194
Total					7,149	22,529

■ COFFEE (ICO) (US cents/pound)

Sep 18		Prev. day
Comp. daily	95.04	95.88
15 day average	99.15	99.94

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	331.6	+4.4	331.5	328.0	1,284	9,644
Mar	331.6	+3.6	332.0	328.1	678	8,276
May	331.1	+3.8	331.2	328.1	265	3,744
Aug	331.6	+1.3	332.0	331.5	34	1,228
Oct	323.9	+0.1	325.3	323.8	36	914
Dec	324.8	-0.3	325.1	325.0	20	229
Total					2,343	24,035

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.42	+0.02	11.47	11.38	8,000	31,780
Mar	11.37	+0.07	11.38	11.31	9,546	64,909
May	11.27	+0.06	11.28	11.21	2,131	21,226
Jul	11.01	+0.04	11.04	10.98	685	14,074
Oct	10.90	+0.04	10.92	10.89	539	9,712
Mar	10.81	+0.04	10.81	10.80	15	1,681
Total					20,924	143,606

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.25	+0.80	74.90	73.85	850	3,513
Dec	75.28	+0.83	76.20	74.80	4,427	28,611
Mar	76.40	+0.77	77.20	76.00	491	8,827
May	77.14	+0.90	77.65	76.85	183	6,738
Jul	77.60	+0.75	77.95	77.50	96	4,764
Oct	77.90	+0.55	-	-	-	990
Total					6,142	57,288

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	106.85	+1.40	106.90	105.45	914	8,861
Jan	106.65	+0.95	106.70	105.50	525	5,937
Mar	108.65	+0.95	108.70	107.30	90	2,485
May	110.35	+0.65	110.25	110.05	8	601
Jul	112.35	+0.65	-	-	1	205
Sep	113.55	+0.65	-	-	-	234
Total					1,538	18,320

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 19	Sep 18	month ago	year ago
1901.5	1913.8	1944.2	2121.1

■ CRB Futures (Base: 1967=100)

Sep 18	Sep 17	month ago	year ago
245.80	244.40	-	-

■ GSCI Spot (Base: 1970=100)

Sep 18	Sep 17	month ago	year ago
203.22	200.09	204.15	184.47

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	72.500	-0.325	72.750	72.400	4,710	30,519
Dec	67.325	-0.300	67.600	67.250	3,806	31,984
Feb	64.500	-0.100	64.700	64.425	2,567	15,711
Apr	66.300	-0.075	66.450	66.200	742	7,014
Jun	64.250	-0.125	64.425	64.250	265	3,483
Aug	64.400	-0.100	64.550	64.400	200	3,877
Total					12,829	92,888

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	56.125	+0.600	56.400	55.400	3,264	9,270
Dec	56.650	+0.200	56.750	56.225	3,124	14,732
Feb	76.675	+0.150	76.900	76.275	609	4,827
Apr	73.800	+0.250	73.850	73.400	271	1,762
Jun	78.050	+0.075	78.150	77.900	84	1,905
Jul	75.725	+0.125	75.650	75.500	22	442
Total					7,393	33,296

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	78.750	+0.200	80.300	78.275	1,461	4,830
Mar	78.675	+0.175	80.100	78.650	68	856
May	80.500	-0.100	81.450	79.500	212	334
Jul	80.750	-0.075	81.100	79.800	44	113
Aug	77.950	-0.450	77.500	77.500	3	23
Total					1,785	6,159

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1400	20	73	18	38
1450	5	48	53	61
1500	2	30	101	92
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1900	72	122	22	83
2000	23	77	72	137
2100	5	46	153	208
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1400	109	118	14	68
1450	75	92	31	92
1500	49	72	54	122
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	44	68	36	39
1000	33	55	50	51
1025	24	45	66	66
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2050	-	-	25	-
2100	-	-	39	-
2150	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$19.75-9.85	-0.235
Brent Blend (dated)	$22.01-2.06	-0.415
Brent Blend (Nov)	$21.94-1.96	-0.325
W.T.I.	$23.09-3.11	-0.295

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$228-230	-6
Gas Oil	$219-220	-3.5
Heavy Fuel Oil	$113-115	
Naphtha	$210-212	+2
Jet fuel	$248-249	-4
Diesel	$231-233	-2

■ NATURAL GAS (Pence/therm)

Bacton (Nov)	13.35	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

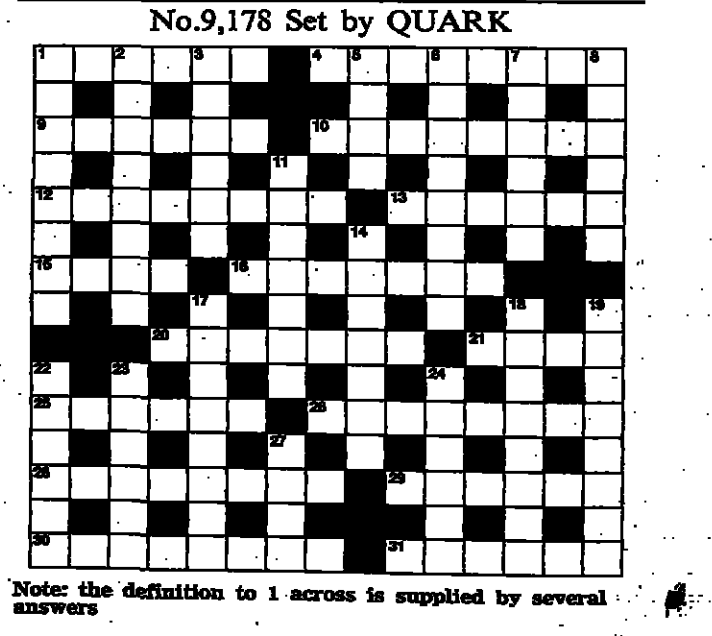
Gold (per troy oz)‡	$383.30	
Silver (per troy oz)‡	502.50c	-5.0
Platinum (per troy oz.)	$390.25	+1.75
Palladium (per troy oz.)	$121.00	+0.50
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.99r	+0.05
Tin (New York)	294.00	+1.5
Cattle (live weight)	97.50p	+1.92*
Sheep (live weight)	115.17p	-5.24*
Pigs (live weight)†	109.95p	-0.34*
Lon. day sugar (raw)	$288.10	-2.50
Lon. day sugar (wte)	$334.20	+0.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.25p	
Rubber (Nov)♥	88.25p	
Rubber (KL RSS No1)	328.0v	
Coconut Oil (Phil)§	$735.0z	+2.5
Palm Oil (Malay.)§	$532.5x	+5.0
Copra (Phil)§	$470.0z	
Soyabeans (US)	227.0	
Cotton Outlook 'A' Index	75.25	
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Oct. z Sep/Oct ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,314 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,178 Set by QUARK

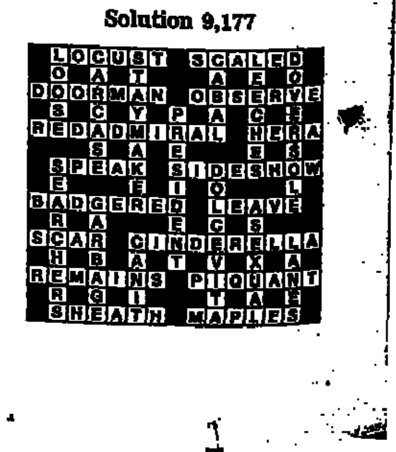


Note: the definition to 1 across is supplied by several answers

ACROSS
- 1 Drink on board (6)
- 4 Island with pub, so Pat's coming back (8)
- 9 One month's celebration might involve gin? (8)
- 10 Below a sound speed (6)
- 12 Engineer's tool for those who respond (8)
- 13 Sounds like a band of fabric to wear away (6)
- 15 Nation could be part of 1 across (and 2 down) (4)
- 16 Trains numbers of porpoises (7)
- 20 The officer is not detailed (7)
- 21 One of the 1 across could be pool? (4)
- 25 Entertains before lunch at works (6)
- 26 Current changes provided by this affected the roast (8)
- 28 Diplomat's residence has host around a short time (8)
- 29 Second defeats required in 1 across? (6)
- 30 Publicise the skill including chopper? (8)
- 31 How some get in road going round town (6)

DOWN
- 1 Dull gold colour turns up in headwear (8)
- 2 An instance of 1 across in 4-yearly intervals (8)
- 3 A number err going up in one of 1 across (6)
- 5 An odd plant (4)
- 6 Dance at HQ for one of 1 across (8)
- 7 Refusal to accept working in lead (6)
- 8 Score, perhaps, around clubs in one of 1 across (6)
- 11 It's an in and out existence in one of 1 across (7)
- 14 It's a work of art to reduce court pain (7)
- 17 Error to be over or one will join the other side (8)
- 18 It's rising until a cake is produced (8)
- 19 Study trials are part of 1 across (8)
- 22 Trouble had to arise in the plant (6)
- 23 One of 1 across is seen in shrug Gerald gives (6)
- 24 Wine to see mainly in one of 1 across (6)
- 27 Beat up one of 1 across (4)

Solution 9,177



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$257.72	258.02	+1.53	5.61
Excalib Global Emg Mkts	$10.00	10.08	—	–
Excalib Global Eqty $ *	$79.24	79.65	—	–
Excalib Stg Global Fixed Inc*	£11.65	11.82	—	4.96

Valued weekly * Mondays, † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

	Selling Price	+ or -	Yield Gr's
Country Select Funds			
ASEAN	$21.24	–0.08	–
Asian Special Situations	$10.86	–0.05	–
Australia	A$19.74	–0.13	1.35
Emerging Markets	$8.483	+0.014	–
European Sm Cos F	DM12.13	–0.04	–
France	FFr83.04	–0.10	–
Germany	DM30.51	+0.01	–
Hong Kong	$48.42	–0.16	0.02
Iberia	Pta1763	—	–
Indonesia	$0.879	+0.020	–
Italy	L14280	–107	–
Japan Smlr Cos	Y1069	–1	–
Korea F	$8.730	—	–
Latin America	$8.667	+0.046	0.55
Malaysia	$34.21	–0.06	–
Nordic	SKr173.0	—	–
Singapore	$25.40	–0.02	–
Switzerland	SFr14.86	–0.01	–
Thailand	$31.35	–0.25	–
United Kingdom	£1.139	–0.002	–
Bond Funds			
European	Ecu10.95	—	5.91
International	$1.839	+0.004	5.24
US Dollar	$6.614	–0.010	6.74
Sterling	£0.251	—	7.72
Yen	Y1841	+4	2.82
Balanced			
European Balanced	DM12.04	–0.02	1.92

Prices as at September 16

LUXEMBOURG (REGULATED)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	+3½	[illegible]	419	[illegible]	6.3	17.8
[illegible]	★	[illegible]	-12½	[illegible]	490	[illegible]	3.1	18.0
[illegible]	★	[illegible]	—	[illegible]	[illegible]	[illegible]	6.6	20.4
[illegible]		776	—	776	600	106.4	1.9	19.9
Grand Met	★†	[illegible]	-5	491½	411	10,[illegible]	4.0	20.3
Guinness	★†	[illegible]	+1	[illegible]	435	[illegible]	4.0	15.1
Highland	★†	349½	-1	[illegible]	315	451.9	2.9	16.2
5¾pc Cnv Bds		101	—	101½	100½	—	—	—
[illegible]		705½	+6	[illegible]	[illegible]	7,4[illegible]	0.6	29.5
Matthew Clark	★	387½	-6	[illegible]	342½	318.4	8.4	17.0
[illegible]	★	[illegible]	—	141	93	13.4	4.6	11.2
Seagram $		[illegible]	+[illegible]	[illegible]	[illegible]	[illegible]	1.3	—

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]		[illegible]	—	[illegible]	[illegible]	8.71	10.8	—
[illegible]	★	418½	—	510	379	[illegible]	9.0	12.4
Close Bros	★†	[illegible]	—	[illegible]	305	412.9	3.3	15.2
Gerrard & Nat	★	327½	—	472	327½	190.1	8.8	10.4
Hambros		[illegible]	+1½	287½	[illegible]	[illegible]	3.6	—
7½pc Cv Pf		[illegible]	+½	119	94½	[illegible]	8.4	—
King & Shaxson	★	[illegible]	—	177	112½	44.5	6.7	14.6
Leopold J	★	[illegible]	—	[illegible]	405	24.1	5.4	18.5
Rea Brothers	★	[illegible]	—	[illegible]	44	25.3	2.3	21.0
Schroders	★†	[illegible]	—	1462½	1185	2,[illegible]	1.6	15.8
N/V	†	[illegible]	+5	1195	880	[illegible]	2.0	12.4
Singer & Fried	★†	127½	—	134	[illegible]	251.6	4.2	9.2
8½pc Cv Ln 09/14		£182½	—	£153¼	[illegible]	48.8	5.8	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£21¼xd	—	£24½	£22½	1,587	3.3	Φ
Barlow	♣†	980	—	£10⅝	£5⅝	1,155	2.3	–
Gold Flds Prop R		137½	—	170	120	14.8	6.3	10.6
MK Props		69	—	95	60	2.41	15.3	–
SASOL	♥	645	—	716	475	3,777	1.7	–
SA Brews		£18½	—	£26½	£16¼	4,869	2.2	Φ
Standard Bank		£26¼	+½	£32⅞	£21⅞	3,294	1.4	22.3
Tiger Oats	†	790	—	1276	770	1,188	2.1	16.1
Tongaat-Hulett		790xd	—	1247	735	747.6	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xx ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

UK equities braced for big index expiries

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There was something for everyone in a UK stock market positively buzzing with excitement yesterday, with the FT-SE 100 index powering ahead to an all-time intra-day record and then coming off sharply in sympathy with Wall Street.

At the close of trading, the FT-SE 100 index was 18.6 firmer at 3,974.3. The FT-SE Mid 250, however, was left well behind, and down 6.1 at 4,427.5, with investors concentrating their fire-power on the leaders.

And there is bound to be more frantic activity this morning when the expiry of a series of derivatives instruments takes place shortly after 10 am.

Those expiries are part of a global series which involve European bourses and the US; the latter are viewed as having the potential to cause substantial waves in global markets.

But London dealers expect the expiry of the FT-SE 100 futures and index options to produce some violent movements in individual prices and indices.

Many dealers said the market would want to pin the FT-SE 100 future expiry at a big figure, with 4,000 the favourite. After the expiries, however, there is the potential for a sizeable sell-off.

While the market was preoccupied with speculation about the expiries, Footsie surged higher, piercing its previous intra-day peak shortly after noon and coming within 13 points of 4,000.

The driving forces behind the market's mid-morning gallop included a sudden ferocious burst of takeover speculation in Zeneca, the drugs group demerged from ICI three years ago. And many of the City's marketmakers were busily adjusting their positions ahead of this morning's derivatives activity.

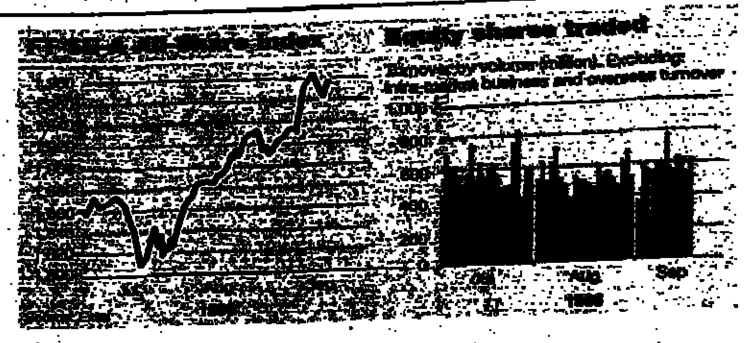
Previously, the market began trading on a quiet note, mindful of the overnight decline on Wall Street, where the Dow Jones Industrial Average finished 11 points lower. There was some support for Europe, however, from the performance of US Treasuries, where the 30-year bond closed marginally ahead.

And the appearance of a sizeable rights issue, from BICC, fuelled revived concerns that the equity market's move to record levels might prove the catalyst for a series of big cash calls.

After hitting its record, Footsie began to lose momentum, and was additionally unnerved by a poor start by Wall Street, which was down around 30 points not long after the opening in the wake of strong economic data.

Even if today's events do not live up to expectations, next week will provide markets on both sides of the Atlantic with plenty of potential fireworks. The chancellor of the exchequer meets the governor of the Bank of England on Monday while the Federal Reserve's Open Market Committee meets on Tuesday to discuss US monetary policy. Some UK observers are becoming increasing worried that US markets have not yet priced in a rise in US interest rates.

Turnover in UK equities at the 6pm count was 708.8m shares. Customer business on Wednesday was valued at £1.71bn.



Indices and ratios

FT-SE 100	3974.3	+18.6	FT Ordinary index	2846.5	+8.1
FT-SE Mid 250	4427.5	-6.1	FT-SE-A Non Fins p/e	18.19	18.13
FT-SE-A 350	1981.3	+6.7	FT-SE100 Fut Sep	3984.0	+20.0
FT-SE-A All-Share	1957.02	+6.23	10 yr Gilt yield	7.79	7.81
FT-SE-A All-Share yield	3.76	3.77	Long gilt/equity yld ratio	2.16	2.16

Best performing sectors

1 Transport ... +1.4
2 Tobacco ... +1.2
3 Pharmaceuticals ... +1.1
4 Extractive Inds ... +1.1
5 Support Services ... +1.1

Worst performing sectors

1 Building Matls ... -0.7
2 Property ... -0.4
3 Distributors ... -0.3
4 Textiles & Apparel ... -0.3
5 Alcoholic Beverages ... -0.3

Bid talk fires Zeneca

By Joel Kibazo and Peter John

Zeneca managed to surprise pharmaceuticals specialists who have become jaded by persistent takeover speculation. The shares shot forward during the morning on a re-run of old stories that one continental big gun was preparing to make an offer.

They were up 82¼ at one stage and ended the day 46½ higher at 1590p, a new closing peak. Turnover of 4.6m shares was at the top end of daily averages.

Historically, the talk has focused on Roche of Switzerland but yesterday it switched to Bayer of Germany, which was thought to have been capable of providing the £20bn necessary for a viable bid. Some traders were suggesting the deal was so far advanced that heads of agreement had already been signed.

Bayer took the decision to deny the story. Mr Guenter Forneck, for the company, said: "It's just one of those perennial rumours, but there's no truth in it."

In spite of Bayer's comments, the shares continued to rise swiftly. At one time there was a flurry of activity which led to a backwardation, the situation where the price at which brokers bid for stock is theoretically higher than the price at which they will sell.

Part of the cause appeared to be that institutional investors, many of whom missed out on the benefits of Glaxo's takeover of Wellcome, feel they cannot afford to be short of stock and the price continues to be squeezed higher.

Sainsbury firm

Food retailers shrugged off recent weakness and moved strongly ahead, boosted by a change of stance from Charterhouse Tilney. The broker was among the first to turn seller last year as the price war in the sector took hold. Having moved to a neutral stance some six weeks ago, the broker yesterday advised clients to go "overweight" of the sector.

Mr Bill Currie at the broker said: "The recent underperformance is not warranted. There is no price war out there and industry gross margins look stable."

Among individual stocks, J Sainsbury advanced 7½ to 375p in trade of 4.2m, while Tesco hardened 2¼ to 301p. Bargain-hunting together with vague bid talk in WM Morrison Supermarkets, which reported figures yesterday, helped the shares recover from an early retreat to end ⅜ off at 159½p. There was demand for discount food retailer Kwik Save and the shares closed up 6 at 371p.

The building materials sector fell under a cloud yesterday when RMC Group posted interim figures below the market's best expectations, triggering a series of sharp profit downgrades.

Dealers suggested the headline interim profit figure was "mildly disappointing". But it was the scale of the downturn in Germany, together with a warning of continued weak demand there, that took traders by surprise. Around 50 per cent of group profits at RMC are derived from Germany.

RMC shares lost 3.6 per cent, falling 42 to 1,110½p, making them the day's worst performer in the Footsie. Volume was 2.7m by the close. BZW's Mr Howard Seymour said the break down of the figures and significant falls in the German market were the main reasons for the share price fall.

Continuing to rate the shares a "hold", Mr Seymour downgraded full year profit expectations by £15m to £285m. However, the most aggressive reduction came from Mr David Taylor at Teather & Greenwood, who lowered his current year forecast to £263m from £300m. He cut his estimate for the following year by £40m to £300m.

Mr Taylor commented: "RMC is a good company but its premium to the market rating is excessive."

Redland lower

The poor sentiment at RMC spread to Redland, which also derives a substantial part of group profits from Germany. Several analysts suggested the company is unlikely to report healthy figures when it unveils interims next week. Sellers were very much in the driving seat at Redland too and the shares fell 9¼ to 455½p.

Pilkington was also friendless. Turnover in the stock rose to a hefty 13m with a substantial contribution coming from an agency cross of 5m.

The shares eased 3¼ to 195p, the third worst performers in the Footsie, as rumours circulated that Cazenove, the group's joint broker with SBC Warburg, is about to downgrade profit estimates for the company.

The talk in the market suggested that analysts at Cazenove were reducing their estimates from around £210m to about £185m. Pilkington reports figures in October.

Bank of Scotland lifted 2 to 260p in the wake of a forecast upgrade from BZW. The broker has raised its share price target to 300p from 280p previously. It has also increased its profit forecast for the year to September by £10m to £635m and next year's by £20m to £705m.

BZW was also said to be responsible for a sharp rise in HSBC. Dealers said the banking team had met senior executives from the bank on Wednesday night and come away with their enthusiasm strongly reinforced. HSBC rose 24 to 1,209p in the ordinaries.

Selected water stocks rose following a reappraisal of the sector by NatWest Securities. The broker believes the market is unjustifiably sceptical about the sector's ability to deliver dividend growth in line with stated policies.

NatWest particularly likes United Utilities and Hyder. United lifted 3 to 596½p, with additional impetus from a presentation to analysts on its facilities management group Vertex on Wednesday. Hyder improved 2 to 722½p.

Support services leader Rentokil Group has been doing the rounds seeing leading City institutions.

The shares rose to the top of the Footsie performance table yesterday, closing 13¾ ahead at 442p. BZW and UBS were said to have shown a keen interest in the stock.

News that British Airways is offering redundancy to 5,000 employees, as part of plans to save $1bn over three years, was well received in the market. The shares gained 14 to 541p in busy trading of 6.7m. Charterhouse Tilney raised its profits estimate for the 1998 year from £795m to £840m.

Hopes that the Civil Aviation Authority will confirm the proposed pricing formula for BAA continued to boost the shares. They put on another 11¼ to 504p in heavy trading of 8.2m.

FINANCIAL TIMES EQUITY INDICES

	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	Yr ago	*High	*Low
Ordinary Share	2846.5	2838.4	2852.7	2859.9	2856.8	2633.7	2886.2	2668.8
Ord. div. yield	3.99	4.01	3.99	3.99	3.99	4.07	4.22	3.78
P/E ratio net	17.28	17.20	17.29	17.29	17.27	15.81	17.29	15.80
P/E ratio nil	17.12	17.04	17.12	17.13	17.11	15.44	17.13	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2832.7	2841.2	2841.8	2852.0	2850.9	2852.0	2848.7	2849.0	2847.3	2855.6	2831.9

	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	Yr ago
SEAQ bargains	39,716	36,915	41,734	42,182	38,132	29,129
Equity turnover (£m)†	-	1710.8	1843.9	1511.3	1670.3	1620.8
Equity bargains†	-	38,950	39,267	43,237	40,940	35,571
Shares traded (mil)†	-	643.6	607	536.8	610.0	608.6

†Excluding intra-market business and overseas turnover.

	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	Yr ago	*High	*Low
FT-SE AIM	1041.80	1041.70	1043.10	1044.70	1042.90	-	1146.40	985.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	881	Total Highs	108	Total contracts	49,119
Total Falls	441	Total Lows	40	Calls	31,501
Same	1,522			Puts	17,618

Sep 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3959.0	3984.0	+21.0	[illegible]	[illegible]	[illegible]	[illegible]
Dec	3985.5	4011.0	+21.0	[illegible]	[illegible]	[illegible]	[illegible]
Mar		4021.0	+21.0				

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4425.0	4425.0	-20.0	[illegible]	[illegible]	[illegible]	[illegible]
Dec	4460.0	4460.0	-20.0	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE 100 INDEX OPTION (LIFFE) (*3974) £10 per full index point

[illegible]

Calls 12,202 Puts 5,418

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 11,537 Puts 6,388 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	12.1	66	62½	†Barbican Hlthcre	62½		-	-	-	-
-	F.P.	204.0	196	182½	Dairy Crest Grp	184½		W9.1	2.7	6.2	7.8
•	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	28.5
§145	F.P.	50.7	248	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.39	53	41	†Fayrewood	45½xd		Z0.4	-	1.1	-
•	F.P.	297.6	£42½	£25⅝	GT Chile Growth	£25⅝	+⅛	-	-	-	-
§100	F.P.	89.2	109½	101½	†Gartland Whalley	102½	-2	-	-	-	-
§12.5	F.P.	1.66	14¼	13¼	†Grosvenor Land	14¼		-	-	-	-
[illegible]											

† Alternative Investment Market. § Placing price. • Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Stats.

FT GOLD MINES INDEX

[illegible]

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FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											
Pharmaceuticals	[illegible]											
Water	[illegible]											
Banks, Retail	[illegible]											

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هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Standard and Poors

Composite‡	681.47	682.94	683.98	683.98 (16/9)	598.48 (10/1)	683.98 (16/9/96)	4.40 (1/6/32)
Industrials¥	807.58	808.71	808.49	808.71 (17/9)	702.07 (15/1)	808.71 (17/9/96)	3.52 (30/6/32)
Financial	70.81	71.16	71.94	71.94 (16/9)	58.67 (10/1)	71.94 (16/9/96)	7.13 (4/9/74)
NYSE Comp.	363.44	364.43	365.42	365.42 (16/9)	321.41 (10/1)	365.42 (16/9/96)	4.64 (25/4/42)
Amex Mkt Val	566.65	567.16	570.94	614.99 (22/5)	525.60 (18/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1205.71	1203.31	1193.98	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 13	Sep 6	Aug 30	Year ago
Dow Jones Ind. Div. Yield	2.17	2.24	2.25	2.40
	Sep 11	Sep 4	Aug 28	Year ago
S & P Ind. Div. yield	2.02	2.06	2.02	2.11
S & P Ind. P/E ratio	21.84	21.50	21.77	18.35

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Pepsico	11,158,300	28½	+½
Micron Tech	6,458,200	25½	-1¼
Royal Dutch	5,127,000	154	-1⅝
Bay Network	4,448,400	28½	+1½
AT & T	4,376,100	57⅞	+⅝
Olsten	3,890,600	22⅝	-3¾
Gillette	3,578,400	67⅝	-⅝
IBM	3,520,300	124⅝	+⅞
Fresenius	3,155,900	22⅝	+1
Duracell	3,139,300	59¾	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 18	Sep 17	Sep 16
New York SE	383.995	442.580	430.290
Amex	21.245	19.645	20.077
NASDAQ	581.208	647.443	586.051
NYSE			
Issues Traded	3,208	3,228	3,203
Rises	956	958	1,400
Falls	1,353	1,430	985
Unchanged	898	838	818
New Highs	101	110	195
New Lows	24	33	22

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	687.05	681.20	–	–	–	18,828	57,862
Dec	–	686.50	–0.70	688.70	685.40	88,436	165,884

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21110.0	21320.0	+120.0	21370.0	21070.0	24,870	190,727
Mar	21180.0	21350.0	–10.0	21350.0	21150.0	55	9,598

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... highs and lows are the averages of the highest and lowest prices reached during the day by each ... and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached ... are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, September 19,1996

	Stocks Traded	Closing Prices	Change on day
Sagami Railway	8.7m	494	-2
Sumitomo Seika	4.8m	815	-13
Nippon Steel Cp	4.7m	343	-2
Sanwa Bank	4.6m	2100	+40
Sumitomo Mtl Ind	3.9m	318	-1
Tokyo Broadcast	3.7m	1810	+10
Nissan Motor	3.5m	896	+21
Toshiba Corp	3.1m	728	-2
SS Pharmaceutical	3.1m	750	+21
Kobe Steel	3.1m	293	+1

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NEW YORK STOCK EXCHANGE PRICES

4 pm close September 19

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23 7/8	17 3/4	AAR	0.48	2.1	20	39	23	22 7/8	22 7/8	
48 1/8	36 1/8	AMP	1.00	2.6	18	4409	39 1/4	38 7/8	38 7/8	-1/4
97 1/2	68	AMR			18	6809	81 3/8	79 3/8	81	+1 1/8
50 1/2	37 1/8	ASA	2.00	5.1	25	265	39 1/2	39 1/8	39 1/4	
48 3/4	39 1/8	AbbtL	0.96	2.0	21	7400	u48 3/4	47 1/2	48 3/8	+7/8
17 1/4	12 1/4	AbitibiPr	0.40	3.1	6	310	13 1/4	13	13	-1/4
20 1/4	13 1/2	ABM Ind	0.35	2.2	16	346	16 7/8	15 7/8	16 1/4	-5/8
18 5/8	13 3/8	Acpinsch			38	102	d18 5/8	18 1/4	18 1/4	-1/8
50 3/8	37 1/4	ACE Ltd	0.56	1.2	11	3201	47 1/4	47	47 1/4	
10 1/8	9 1/8	ACM Gvt In	0.80	8.2	8	257	9 7/8	9 3/4	9 3/4	-1/8
7 7/8	6 5/8	ACM GvOpp	0.57	8.3		122	7	6 7/8	6 7/8	
9 5/8	8 3/8	ACM Man	0.90	9.5		316	9 1/2	9 3/8	9 1/2	
13 7/8	6 1/8	Acme Elect	0.32	4.4	120	108	7	7	7 1/4	+1/4
17 1/2	13 7/8	Acme Mills			10	73	15 7/8	15 3/4	15 3/4	
33 3/4	27 1/4	Acordia	0.72	2.4	18	68	30 3/4	30 3/8	30 5/8	+3/8
21 1/8	12	Acuson			65	284	17 7/8	17 1/2	17 5/8	+1/8
19 3/4	17 7/8	Adams Expr	0.48	2.5	1	159	19 5/8	19 3/8	19 1/2	
21 1/4	10 1/4	AdvMic			9	7439	14 5/8	13 7/8	14 1/4	+1/4
11 1/8	8 1/2	Advest Grp	0.16	1.6	7	18	10	9 7/8	9 7/8	-1/8
26 1/8	9 1/8	Advo Inc	0.10	1.0	518	230	10 1/2	10 1/4	10 3/8	+1/4
51 1/2	41 1/8	Aegon x	1.46	2.9	15	18	49 7/8	49 3/4	49 7/8	-1/8
6 3/4	3 1/2	Aeroflex			3	171	5 1/8	5	5	
70 3/4	57 5/8	Aetna	0.80	1.2	7	2361	68 1/2	67 3/4	67 7/8	-1/2
36 1/2	28 1/4	Aflac	0.40	1.1	15	2264	35 1/8	34 1/8	35 1/8	+5/8
21 1/8	17 1/8	AGL Res	1.06	5.4	16	304	19 7/8	19 3/4	19 3/4	-1/4
28	21 1/4	Ahmanson	0.88	3.4	7	948	26 1/8	25 3/4	26	-1/8
60 7/8	50 1/8	AirPrC	1.10	1.9	15	1920	57 7/8	56 5/8	57 3/8	+1/2
28 5/8	19 7/8	Airborne Frt	0.30	1.5	13	5236	20 1/2	d19 7/8	20 1/2	-1/2

16	11 1/2	BarryWrt			14	141	13 5/8	13 1/4	13 1/2	+1/4
17 5/8	7 1/8	BattMt	0.05	0.6	160	3467	8 1/8	8	8	-1/8
44 1/2	32 1/2	Bausch	1.04	2.8	22	1155	37	36 1/2	36 5/8	-3/8
48 1/8	39 3/4	Baxter x	1.21	2.8	17	11351	45 1/8	43 5/8	43 3/4	-1
43 1/2	20 1/4	BayNtwks			28	10384	28 7/8	28	28	-5/8
29 7/8	25 1/8	Bay St Gas	1.54	5.7	12	77	27 1/4	26 7/8	26 7/8	
40 7/8	15 3/4	BBN			5	697	18 1/2	18	18 1/4	-1/8
22 3/4	19 3/8	Bd Tr 1638 x	1.58	8.0		64	19 1/2	d19 3/8	19 1/2	+1/8
8 5/8	7 3/4	BEA IncFd x	0.72	8.3		200	u8 5/8	8 1/2	8 5/8	+1/8
9 3/8	8 1/2	Bea Strat	0.81	8.8		10	9 1/4	9 1/8	9 1/4	
24 7/8	17 1/4	Bear Stns	0.60	2.7	6	2137	22 7/8	22 5/8	22 5/8	-1/4
44 7/8	41	BearSPIA	2.85	6.4		2100	44 5/8	44 5/8	44 5/8	
33 3/4	24	Bearings	0.56	1.9	15	198	29 1/8	28 1/4	28 3/4	+5/8

Continued on next page

4 pm close September 19

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
33½	22¼	SchwMaud	0.60	1.9	15	93	32⅜	32	32¼	+¼
20⅝	12	SciAtl x	0.06	0.4	178	1925	14½	14¼	14⅝	
23⅞	17	Scotman	0.10	0.4	13	28	u23⅞	23¾	23¾	-⅛
47½	39¼	Scripps	0.52	1.1	26	139	46	45⅞	46	+⅛
18¼	13⅛	ScudderNAsF	0.02	0.2		179	13⅞	13¾	13¾	
19½	11	ScudderNEuF	0.16	1.2		247	u13½	13¼	13⅜	-⅛
20½	16	SeaCnB	0.17	0.9	26	24	19½	19¼	19⅜	-⅛
16	15	SeaC1.4625	1.45	9.7		4	15⅛	15⅛	15⅛	
67¾	36⅛	S'gate			27	8008	58⅝	55½	58⅝	+¼
36⅜	30⅞	Seagrm	0.60	1.7	23	1743	34⅞	34⅜	34¾	+⅛
28	17⅛	Seagull En	1.20	6.4	12	2455	19	18⅝	18⅞	+¼
39	26	Sealed Air	0.84	1.7	25	187	38	37⅜	37¾	+½
53⅞	38¼	SearsR	0.92	2.0	18	6047	45⅝	44⅝	45¼	+⅜
22⅝	19¾	SecCapStI	1.24	5.6	20	990	22⅛	21¾	22⅛	+⅛
13	11⅞	Seligm Sel x	0.84	6.9		30	12¼	12⅛	12⅛	-⅛
23¾	13⅝	Sensormat	0.22	1.2	13	6716	17⅞	17⅝	17¾	
46½	29½	SequaA	0.60	1.3	52	33	45¾	45	45½	
53⅛	39	SequaB	0.50	0.9	61	21	53	52⅝	52⅞	-¼
31½	19½	SvcCp	0.24	0.8	30	6016	u31½	30½	31¼	+⅞
24½	19½	SvMstr	0.68	2.8	15	185	24¼	23⅞	24⅛	
6⅛	4½	SrvMerch			10	836	5⅛	5	5	-⅛
48¼	28½	SGSThm			8	1636	47½	46	46⅝	-1¼
15⅝	10⅝	Shaw Ind	0.30	2.0	30	2145	15⅜	15¼	15¼	
13½	10⅛	Shelby Wil	0.32	2.6	14	72	12⅝	12⅜	12½	-¼
92¼	76⅝	ShellTr	3.26	3.5	19	851	92½	92	92⅛	-⅛
47⅛	39	SherW	0.70	1.5	18	542	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21⅞	16⅞	TempltEmMk	0.27	1.5		208	[illegible]	[illegible]	[illegible]	[illegible]
7¾	6⅞	TempltGlob	0.60	8.6		147	[illegible]	[illegible]	[illegible]	[illegible]
7½	6⅞	TempltGlFd x	0.60	8.4		1610	[illegible]	[illegible]	[illegible]	[illegible]
29¾	18⅛	TenetHlth			12	8502	[illegible]	[illegible]	[illegible]	[illegible]
58½	45¾	Tenneco	1.80	3.6	8	384	[illegible]	[illegible]	[illegible]	[illegible]
40⅝	34⅞	Teppco Pts	3.00	7.8	11	64	[illegible]	[illegible]	[illegible]	[illegible]
27⅞	11⅞	Teradyne			8	6205	[illegible]	[illegible]	[illegible]	[illegible]
8⅜	4⅛	Terex	0.08	0.8	8	169	[illegible]	[illegible]	[illegible]	[illegible]
14¾	11	Terra Inds	0.14	1.0	8	663	[illegible]	[illegible]	[illegible]	[illegible]
13½	8	Tesoro	0.40	3.1	4	130	[illegible]	[illegible]	[illegible]	[illegible]
95⅜	75½	Texaco	3.40	3.6	28	5824	[illegible]	[illegible]	[illegible]	[illegible]
60¾	50¾	Texas Ind	0.40	0.8	8	192	[illegible]	[illegible]	[illegible]	[illegible]
59⅝	40½	TxInst	0.68	1.3	12	24711	[illegible]	[illegible]	[illegible]	[illegible]
32½	26⅝	Texas Pac	0.40	1.4	26	2	[illegible]	[illegible]	[illegible]	[illegible]
43¾	38½	TxUtil	2.00	4.9	224	3759	[illegible]	[illegible]	[illegible]	[illegible]
3⅜	2¼	TexB Inds	1.10	26.7	9	30	[illegible]	[illegible]	[illegible]	[illegible]
89	69⅛	Textrn x	1.76	2.1	17	1619	[illegible]	[illegible]	[illegible]	[illegible]
5½	2½	Thackeray			26	21	[illegible]	[illegible]	[illegible]	[illegible]
17	11½	Thai Cap	1.90	15.5		136	[illegible]	[illegible]	[illegible]	[illegible]
27¾	19⅝	Thai Fund	0.33	1.6		303	[illegible]	[illegible]	[illegible]	[illegible]
44⅜	30½	ThermoElec	0.12	0.8	30	7167	[illegible]	[illegible]	[illegible]	[illegible]
40⅛	32⅝	Thiokl	0.68	1.5	14	376	[illegible]	[illegible]	[illegible]	[illegible]
40½	33¾	ThBet	2.24	5.8	17	1054	[illegible]	[illegible]	[illegible]	[illegible]
23⅞	16¾	Thomas Ind	0.40	2.0	14	14	[illegible]	[illegible]	[illegible]	[illegible]
25½	21½	360Com			75	2208	[illegible]	[illegible]	[illegible]	[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

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[illegible]

AMEX PRICES

4 pm close September 19

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 19

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

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- I -

[illegible]

- J -

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- K -

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- L -

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- M -

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- N -

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- O -

[illegible]

- P - Q -

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- R -

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- U -

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- W -

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- X - Y - Z -

[illegible]

Home data help push Dow lower

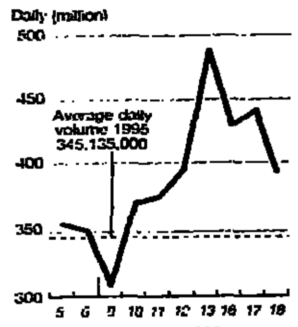
AMERICAS

Interest rate worries continued to rattle WALL STREET as stronger-than-expected figures on housing construction suggested that the economy might not be slowing on its own, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 11.84 at 5,865.52 while the

NYSE volume

Daily (million)



Standard & Poor's 500 rose 0.70 at 682.17. The American Stock Exchange composite fell 1.62 at 565.03. NYSE volume was 235m shares.

Housing starts rose 4.5 per cent in August, much stronger than economists' forecasts that they would remain flat. That data also rattled the bond market sending the yield on the benchmark 30-year Treasury up to 7.060 per cent. Trading was expected to remain jittery in advance of today's expiry of options and futures on shares and share indices, known as a "triple witching".

Investors in both shares and bonds were also awaiting the conclusion of Tuesday's meeting of the Federal Reserve's Open Market Committee, at which a growing number of economists expect the central bank to raise interest rates by at least a quarter of a percentage point.

Technology shares, however, were not rattled by the data and the Nasdaq composite, which is weighted toward that sector, added 2.48 at 1,208.19. The Pacific stock exchange technology index was 0.3 per cent stronger.

Semiconductor companies were especially strong yesterday. Texas Instruments climbed $3¼ or 7 per cent at $53¼, LSI Logic was $1⅞ or 6 per cent stronger, Micron Technology climbed $1⅞ or 7 per cent at $27⅞ and Intel added $1⅛ or 2 per cent at $96⅛.

Among shares in the Dow, Disney added $1¼ at $62⅛, while General Motors lost $1⅞ at $48⅝ and JP Morgan slid $1 at $89⅝.

Elsewhere, Ethan Allen, the furniture retailer, climbed $3 or 11 per cent at $30⅛ after announcing that it expected first quarter earnings to be stronger than analysts' expectations.

Meanwhile Eastman Chemicals lost $⅞ at $56 after warning that third quarter profits would be between $1.20 and $1.35 a share, weaker than analysts' expectations of $1.38 to $1.63 per share.

TORONTO prices were slightly lower in moderate trading after a morning session which saw the TSE-300 composite index drift lower in the wake of a dull Wall Street. At noon, the index was off 10.47 to 5,261.32.

Transport stocks led the way down among the indices' sub-groups with a decline of almost 2 per cent. Mining stocks were also a downside feature, but merchandising continued to move ahead with a sub-sector gain of 0.85 per cent.

Among blue chips, Alcan dipped 10 cents to C$42.40.

Dax eases as Bayer denies bid rumours

EUROPE

Shares edged lower in FRANKFURT after mixed economic indicators combined with nervousness over today's expiry for the Dax future to keep trading subdued.

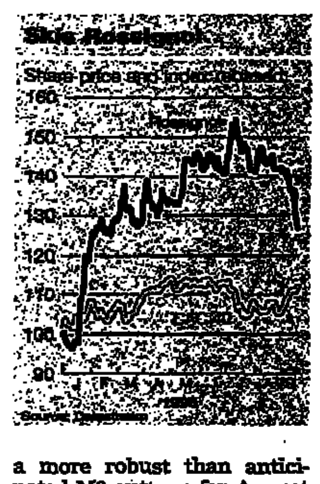
Rampant speculation in London that a global drugs to chemicals combine was teeing up a takeover bid for UK pharmaceuticals group Zeneca sparked active trading in Bayer and Hoechst.

Bayer described the takeover talk as "pure speculation" and rejected rumours that it was about to merge with Zeneca. The shares ended 39 pfg higher at DM55.43. Hoechst put on 58 pfg to DM54.88.

Continental, the tyre group, which falls out of the Dax on Monday, came off 32 pfg to DM25.25. Munich Reinsurance, its replacement in the lead index, dipped DM25 to DM3,545 to reverse a recent strong run.

MAN dipped 26 pfg to DM388 following news that the group's commercial vehicle operations were heading for a decline in output and sales for this year.

At the close the Dax was off 1.26 at 2,624.44. Dealers said the IFO business confidence number, up from 94.0 to 94.4, was pleasing but that



a more robust than anticipated M3 outturn for August had lengthened the odds on a Bundesbank rate cut.

PARIS turned in a solid performance clawing back all Wednesday's losses, but activity was lower than in recent sessions and dealers described the session as quiet. The interim results season continued to supply the main news thrust. The top retailer, Pinault Printemp, unveiled strong numbers but there were disappointments from Bancaire and from Skis Rossignol.

Skis Rossignol warned of dull results this year and the shares came off sharply, tumbling FFr109 to FFr1,590 as brokers savagely downgraded their profit estimates for the full year. UBS cut back by around 20 per cent.

Half-year turnover at Pinault remained flat but the group reorganisation was clearly having a major impact on earnings. The stock gained FFr20 to FFr1,841. Bancaire's interims fell short of brokers' projections and the shares ended off FFr13 to FFr523.

At the end of the day the CAC-40 was 9.60 higher at 2,082.33. Dealers said the 10 basis points cut for Bank of France intervention rates had little impact on equities.

MILAN finished off its highs after a two-hour disruption due to a technical fault and further suspensions for Olivetti. The Comit index rose 3.76 to 601.05.

Olivetti was suspended, limit up, in pre-bourse price matching and resumed trading only when trading limits were widened to 20 per cent. After an early 17.6 per cent rise to L600, the shares moved back to close L57.6 higher on the day at L567.5.

Analysts were mixed over the appointment of a new chief executive to replace Mr Francesco Caio, who resigned on Wednesday after less than three months in the job. They were rather more united in scepticism over the chances of a speedy solution to the troubled group's problems.

Elsewhere, Tim, the mobile telephone operator rose L85 to L2,991 on short-covering and in trades linked to the imminent expiry of Fib 30 futures and options.

AMSTERDAM ended a defensive session with the AEX index marginally ahead after a day-long skirmish with the derivatives market. The AEX closed up 0.65 at 583.61.

The session began well enough but there was scant follow through buying and futures traders sold the market. There was talk that futures traders were keen to keep the AEX below the key 585 level ahead of today's AEX future expiry.

Among individual stocks, Unilever headed the AEX ranking with a rise of Fl 3.70 to Fl 269.10 on the back of US buying. KLM fell more than 1 per cent, dipping 50 cents to Fl 44.20. The chemicals group DSM closed down Fl 2.00 at Fl 166.00 after the market learned of disappointing third-quarter results from Eastman Chemical of the US.

ZURICH kept its attention on the financial sector, with insurers providing a strong response to Zurich's first half results. The SMI index finished 4.8 firmer at 3,694.9.

Zurich Insurance added SFr7 to SFr339 in response to its 32.7 per cent rise in first half net profit. Swiss Re rose SFr7 to SFr1,309 and Winterthur rose SFr1 to SFr753.

Among the banks, SBC eased SFr1.50 to SFr240 on profit-taking after Wednesday's 2 per cent jump, which followed news that it planned to restructure its domestic business. UBS gained SFr10 to SFr1,170 on speculation that it would soon follow SBC's example and revamp its method of calculating provisions. CS Holding eased SFr1 to SFr122.75. Elektrowatt gave up some of its recent gains, losing SFr8 to SFr504.

Valora, the retail group, added SFr3.25 to SFr211.25 after the company said that six-month profits rose by nearly 30 per cent after a sharp fall last year.

HELSINKI extended Wednesday's losses, hit by the strength of the markka and a profit warning from Kone. The Hex index fell 12.15 to 2,130.09 in solid volume which was boosted as Neste upped its stake in Asko, the plastic pipe and furniture group, from 20 per cent to 26 per cent.

Kone fell FM54 to FM481 as the lift maker took analysts by surprise by warning that 1996 earnings, after taxes, would be close to zero, due mainly to heavy losses by its Italian operations.

One analyst said earlier indications from the company suggested losses from its Italian business would be in the tens of millions of markka, while yesterday's news indicated that it would be FM200m.

Asko rose FM5 to FM250, after hitting a two-year high of FM253 but Neste eased FM2 to FM93.

Written and edited by Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Sep 19 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1683.71	1684.50	1686.05	1685.86	1686.04	1686.28	1686.13	1686.76
FT-SE Eurotrack 200	1763.15	1764.57	1765.85	1766.07	1766.28	1767.07	1766.29	1766.46

	Sep 18	Sep 17	Sep 16	Sep 13	Sep 12
FT-SE Eurotrack 100	1683.30	1686.93	1700.57	1687.81	1676.85
FT-SE Eurotrack 200	1761.43	1763.61	1771.51	1763.08	1747.46

Base value 1000 (26/10/90). [illegible]

Nikkei edges higher as Karachi soars 4.4%

ASIA PACIFIC

Late demand from investment trust funds supported TOKYO and the Nikkei average managed to shake off its morning weakness to close moderately higher, *writes Emiko Terazono.*

The Nikkei 225 index rose 166.10 to 21,322.85 after moving between 21,023.41 and 21,332.60. The weak dollar triggered profit-taking in export-oriented stocks in early trade, while selling by domestic corporations looking to prop up their earnings ahead of the September half year book closing also depressed shares.

However, investment trusts placed buying orders around the 21,000 level, underpinning the market, and a rise in futures prices triggered arbitrage buying.

Volume totalled 324m shares against 403m. The Topix index of all first section stocks gained 4.41 to 1,601.89 and the Nikkei 300 gained 1.10 to 299.15. Gainers narrowly led losers by 530 to 512, with 136 issues remaining unchanged.

In London, the ISE/Nikkei index fell 0.07 to 1,437.12.

Oil stocks were in demand on reports that the US had dispatched troops to Kuwait. Nippon Oil rose Y2 to Y695, Showa Shell Sekiyu gained Y40 to Y1,160 and Tonen added Y20 to Y1,590.

Sanwa Bank, which will be incorporated into the Nikkei 225 average as a component stock, gained Y40 to Y2,100.

Brokers were lower with many about to release downward revisions in earnings due to sluggish activity on the stock market during July and August.

Daiwa Securities lost Y10 to Y1,270, Yamaichi Securities fell Y7 to Y693 and Nomura Securities dropped Y20 to Y1,980.

Real estate companies were higher. Mitsui Fudosan rose Y10 to Y1,420, Mitsubishi Estate advanced Y10 to Y1,440 and Sumitomo Realty and Development gained Y7 to Y840.

In Osaka, the OSE average rose 22.09 to 22,014.23 in volume of 237.2m shares. Volume surged as domestic investors sold and bought back shares in order to realise profits on their holdings ahead of the September interim book closing. Toyota Motor was the most actively traded stock followed by Nissan Motor.

KARACHI climbed steeply as investors scrambled to cover short positions. Gains led falls by almost three to one and at the close the market had put on 4.4 per cent.

Dealers said the surge had mostly reflected a technical rally as the short-selling of recent days was unwound. But there was also said to have been some genuine buying of leading stocks.

The 100-share index finished 58.96 higher at 1,438.31 for a two-day gain of 76 points.

Leading stocks supplied most of the driving force. Hub Power advanced Rs0.70 to Rs32.70 and Fauji Fertilizer jumped Rs2.30 to Rs68.50.

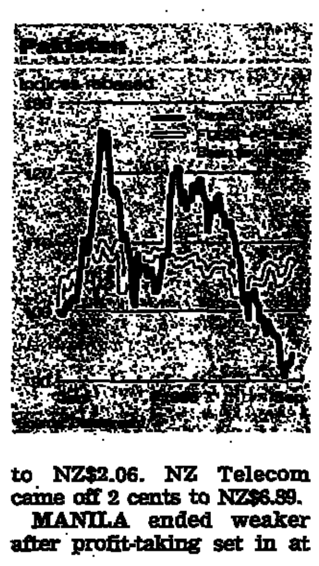
BANGKOK moved higher as talk of imminent cabinet changes swept through the market. The SET index added almost 1 per cent to close 9.83 better at 1,047.86.

Brokers said the market was spurred by speculation that the finance minister would be replaced as a result of the continuing censure debate in parliament. *Hot* favourite for the job was the Siam Commercial Bank president.

Finance stocks were among the day's top performers. Capital Nomura Securities gained Bt3.25 to Bt36.25.

WELLINGTON closed up after a mixed session which ended on a weak note. The NZSE 40 capital index finished 4.65 ahead at 2,239.60.

Fletcher Forests was a firm feature, gaining 6 cents



to NZ$2.06. NZ Telecom came off 2 cents to NZ$6.89.

MANILA ended weaker after profit-taking set in at Philippines Long Distance Telephone. The composite index fell 11.56 to 3,237.03.

PLDT gained 25 pesos to 1,700 pesos after a peak of 1,720 pesos, and some mining and oil stocks also gained ground.

SYDNEY closed higher, boosted by overseas buying and a recovery for commodity prices. The All Ordinaries index ended up 12 at 2,247.1.

Resource shares rallied and the All Resources index gained 15.3 to 1,311.0. BHP added 37 cents to A$16.09 ahead of today's results and CRA gained 41 cents to 18.47. MIM was 5 cents better at A$1.51.

National Australia Bank added 11 cents to A$12.83 and Westpac put on 6 cents to A$6.33.

HONG KONG largely recouped morning losses, leaving the Hang Seng index to close 7.35 weaker at 11,586.68 amid worries over US interest rates and the weakness of the US currency. Turnover shrank to HK$4.8bn.

HSBC gained HK$1.50 to HK$140.50 but, brokers said, the share was still trading at a large discount to the market.

In the utility sector, China Light continued its strong advance, rising 40 cents to HK$35.40.

SINGAPORE was lifted by demand from European funds for banking stocks, and the Straits Times Industrials index ended near its intraday high, up 23.78 at 2,206.09.

SingTel rebounded after failing to break support at S$3.00 to close up 6 cents at S$3.16.

SEOUL was pressured by falls in large cap shares as investors sold stocks to pay back margin loans and the *composite index fell 8.95* to 778.15.

COLOMBO was higher as investors chased tea plantation and processors' stocks in response to record prices for this year's crop. The all share index finished 4.2 higher at 568.9 as Bogawantalawa jumped SLRs5 to SLRs27 and Tea Smallholder Factories rose 75 cents to SLRs20.25.

Mexico City edges down

Mexico City was mixed in weak midsession trade, with early buying dulled by initial losses in US stock and bond markets. The IPC index was 13.02 weaker by noon at 3,355.98.

Some of the early strength was attributed to Televisa, the media giant, which was $¼ higher at $30¼ in New York and 1.6 per cent higher in the domestic bourse.

Small gains were also seen in Telmex, the telephone company, with the L shares 4 centavos higher at 12.50 pesos.

SAO PAULO was flat at midsession with the Bovespa *index up just 17 at 64,913.* Investors were awaiting next week's meeting of the US Federal Reserve's policy-*setting committee which will* be discussing interest rate policy.

Some analysts forecast that shares of the oil and power sectors could be affected by a press report that the government would not authorise fuel, electricity and gas rates increases over the next two or three months.

South Africa moves higher

Comforting inflation news helped South African stocks to re-engage the upside yesterday and the overall index finished 27.8 ahead at 6,939 after a day of relatively subdued trading.

Bonds had a dull session with the yield on the benchmark long bond edging up to within a whisker of 15 per cent.

But the latest CPI data suggested that inflation held relatively steady in August.

The upshot was that the *broad investor mood* returned to the positive. The industrial index rose 21 to 8,176.2 and golds, hit lately by bullion prices doubts, improved 2.6 to 1,758.9.

Among individual stocks, Anglo American gained R3.75 to R279.75. South African Breweries retreated R2.25 to R129.50.

News of a R1.2bn rights issue had little impact on Anglo American Industrial. The shares eased 50 cents to R1,677.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY SEPTEMBER 18 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY SEPTEMBER 17 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	200.65	-1.1	190.63	138.34	157.35	169.13	-1.0	4.51	202.95	193.48	141.37	159.78	170.79	212.18	179.77	189.47
Austria (24)	177.28	0.3	168.42	122.22	139.02	138.93	-0.1	2.02	176.79	168.54	123.15	139.18	139.10	195.04	168.11	177.01
Belgium (27)	218.65	0.7	207.73	150.75	171.46	167.48	0.3	3.98	217.10	206.96	151.23	170.91	166.93	218.69	188.58	188.58
Brazil (28)	183.14	-0.2	173.99	126.26	143.62	343.57	-0.2	1.86	183.55	174.98	127.86	144.50	344.34	189.70	123.97	160.23
Canada (117)	167.33	-0.1	158.97	115.37	131.22	166.22	0.0	2.17	167.44	159.62	116.64	131.82	166.18	167.44	134.14	143.90
Denmark (30)	321.21	0.2	305.16	221.46	251.89	253.78	-0.2	1.81	320.67	305.69	223.37	252.45	254.20	321.21	276.89	281.36
Finland (23)	211.61	-0.7	201.04	145.89	165.94	201.24	-1.1	2.48	213.19	203.24	148.51	167.84	203.46	266.93	171.73	266.93
France (93)	194.09	-0.2	184.39	133.81	152.20	156.45	-0.3	3.10	194.41	185.33	135.43	153.05	156.91	198.39	167.70	172.74
Germany (58)	177.56	0.3	168.69	122.42	139.24	139.24	-0.1	1.78	176.97	168.70	123.27	139.32	139.32	177.93	155.66	160.38
Hong Kong (59)	442.83	-0.1	420.70	305.30	347.26	439.61	-0.1	3.47	443.23	422.53	308.75	348.94	440.03	451.19	354.67	382.89
Indonesia (27)	202.41	-0.3	192.30	139.55	158.73	287.83	-0.4	1.66	203.00	193.52	141.41	159.82	289.07	–	–	–
Ireland (16)	296.00	0.8	281.21	204.07	232.12	258.75	0.5	3.46	293.65	279.94	204.55	231.18	257.36	296.00	241.27	244.75
Italy (58)	74.01	-0.6	70.31	51.02	58.03	84.23	-0.7	2.56	74.45	70.97	51.86	58.61	84.83	84.53	67.22	80.04
Japan (481)	147.57	0.6	140.20	101.74	115.72	101.74	-0.5	0.75	146.72	139.86	102.20	115.50	102.20	164.66	137.75	142.71
Malaysia (107)	566.06	-0.4	537.78	390.27	443.90	544.49	-0.3	1.20	568.10	541.57	395.73	447.25	546.09	585.09	425.77	496.83
Mexico (19)	1290.12	0.9	1225.66	889.47	1011.71	10565.74	0.6	1.27	1278.94	1219.21	890.89	1006.86	10498.60	1325.65	791.99	1167.92
Netherland (19)	299.42	0.2	284.46	206.43	234.81	231.02	-0.2	3.18	298.84	284.89	208.17	235.27	231.46	304.24	250.13	250.13
New Zealand (15)	87.30	0.2	82.94	60.19	68.46	66.05	-0.2	4.15	87.13	83.06	60.70	68.60	66.21	87.30	75.94	79.54
Norway (35)	252.55	-0.3	239.93	174.12	198.05	221.32	-0.6	2.31	253.22	241.40	176.39	199.35	222.62	258.94	222.24	230.89
Philippines (22)	207.90	-1.0	197.51	143.34	163.03	271.76	-1.0	0.58	209.99	200.19	146.28	165.32	274.50	–	–	–
Singapore (44)	406.79	-0.3	386.46	280.46	319.00	263.79	-0.6	1.06	407.86	388.82	284.11	321.10	265.32	465.21	360.49	365.06
South Africa (44)	350.85	-0.9	333.32	241.89	275.14	344.13	-0.9	2.20	354.22	337.68	246.75	278.87	347.35	437.76	314.20	352.13
Spain (37)	177.15	0.3	168.30	122.13	138.92	170.38	-0.2	3.44	176.57	168.33	123.00	139.01	170.73	183.65	145.15	151.41
Sweden (48)	371.70	-0.6	353.13	256.27	291.49	364.35	-0.7	2.34	374.09	356.62	260.59	294.51	367.01	375.96	294.19	307.20
Switzerland (37)	242.98	0.2	230.84	167.52	190.54	186.69	-0.1	1.56	242.57	231.24	168.97	190.96	187.08	254.34	204.64	204.64
Thailand (45)	136.94	-1.1	130.10	94.41	107.39	134.76	-1.3	2.54	138.49	132.03	96.47	109.03	136.50	193.95	128.90	188.74
United Kingdom (200)	249.44	-0.1	236.98	171.98	195.61	236.98	-0.4	4.03	249.66	238.00	173.91	196.55	238.00	250.30	220.57	220.57
USA (623)	277.77	-0.2	263.88	191.51	217.83	277.77	-0.2	2.14	278.33	265.34	193.88	219.12	278.33	278.60	236.38	236.20
Americas (787)	254.07	-0.2	241.37	175.16	199.24	213.66	-0.2	2.13	254.54	242.65	177.31	200.39	214.05	254.73	215.17	218.04
Europe (705)	216.64	-0.0	205.82	149.36	169.89	189.05	-0.3	3.05	216.64	206.52	150.91	170.55	188.62	217.74	191.44	192.28
Nordic (136)	319.40	-0.5	303.44	220.21	250.47	274.80	-0.7	2.27	320.97	305.98	223.58	252.68	276.45	322.00	261.13	267.39
Pacific Basin (878)	161.60	0.4	153.52	111.41	126.72	113.46	-0.5	1.22	161.02	153.50	112.16	126.76	113.97	177.01	148.86	154.15
Euro-Pacific (1583)	184.40	0.2	175.19	127.13	144.61	141.61	-0.4	2.11	184.06	175.46	128.21	144.90	142.14	190.57	166.51	169.94
North America (740)	271.02	-0.2	257.48	186.86	212.54	270.38	-0.2	2.14	271.56	258.87	189.16	213.79	270.90	271.79	230.17	232.38
Europe Ex. UK (505)	194.28	0.1	184.57	133.95	152.35	160.24	-0.2	2.49	194.19	185.12	135.27	152.88	160.61	195.76	170.51	172.77
Pacific Ex. Japan (397)	288.98	-0.5	274.62	199.22	226.60	249.20	-0.5	2.97	290.31	276.75	202.23	228.55	250.36	296.68	243.59	261.51
World Ex. US (1791)	186.05	0.2	176.76	128.27	145.90	146.49	-0.4	2.10	185.76	177.09	129.40	146.24	147.02	191.55	167.36	171.23
World Ex. UK (2214)	211.23	0.0	200.68	145.63	165.65	179.05	-0.3	1.92	211.21	201.35	147.13	166.28	179.55	213.06	185.61	188.98
World Ex. Japan (1933)	250.77	-0.2	238.24	172.89	196.66	236.91	-0.2	2.49	251.17	239.44	174.96	197.73	237.51	251.60	217.28	219.13
The World Index (2414)	214.54	0.0	203.82	147.91	168.24	184.23	-0.3	2.12	214.53	204.51	149.44	168.89	184.78	214.95	186.87	191.74

PLEASE NOTE. Correction to name change notification published 19/9/96. Sonat Offshore Drilling is not a current constituent of The World Index. Latest prices were unavailable for this edition.